

Toward a multi-layered Europe: prospects and risks beyond EU enlargement

Kempe, Iris; Meurs, Wim van

Veröffentlichungsversion / Published Version
Arbeitspapier / working paper

Zur Verfügung gestellt in Kooperation mit / provided in cooperation with:
SSG Sozialwissenschaften, USB Köln

Empfohlene Zitierung / Suggested Citation:

Kempe, I., & Meurs, W. v. (2002). *Toward a multi-layered Europe: prospects and risks beyond EU enlargement*. (CAP Working-Paper). München: Universität München, Sozialwissenschaftliche Fakultät, Centrum für angewandte Politikforschung (C.A.P). <https://nbn-resolving.org/urn:nbn:de:0168-ssoar-359904>

Nutzungsbedingungen:

Dieser Text wird unter einer Deposit-Lizenz (Keine Weiterverbreitung - keine Bearbeitung) zur Verfügung gestellt. Gewährt wird ein nicht exklusives, nicht übertragbares, persönliches und beschränktes Recht auf Nutzung dieses Dokuments. Dieses Dokument ist ausschließlich für den persönlichen, nicht-kommerziellen Gebrauch bestimmt. Auf sämtlichen Kopien dieses Dokuments müssen alle Urheberrechtshinweise und sonstigen Hinweise auf gesetzlichen Schutz beibehalten werden. Sie dürfen dieses Dokument nicht in irgendeiner Weise abändern, noch dürfen Sie dieses Dokument für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, aufführen, vertreiben oder anderweitig nutzen.

Mit der Verwendung dieses Dokuments erkennen Sie die Nutzungsbedingungen an.

Terms of use:

This document is made available under Deposit Licence (No Redistribution - no modifications). We grant a non-exclusive, non-transferable, individual and limited right to using this document. This document is solely intended for your personal, non-commercial use. All of the copies of this documents must retain all copyright information and other information regarding legal protection. You are not allowed to alter this document in any way, to copy it for public or commercial purposes, to exhibit the document in public, to perform, distribute or otherwise use the document in public.

By using this particular document, you accept the above-stated conditions of use.

TOWARD A MULTI-LAYERED EUROPE

Prospects and Risks Beyond EU Enlargement

Iris Kempe & Wim van Meurs

Bertelsmann Group for Policy Research
Center for Applied Policy Research
Ludwig Maximilian University Munich

November 2002

Table of Contents

Preface	3
I. Policy Recommendations for a Multi-Layered Europe.....	5
For Eastern Neighbors	5
For Southeastern Neighbors	9
II. Prospects and Risks Beyond EU Enlargement.....	13
1. Strategic Dilemmas and Risk Reporting	16
The Eastern Agenda.....	17
The Southeastern Agenda.....	18
2. Security and Stability	22
(A) September 11th and New Strategic Partnerships	23
(B) Euro-Atlantic and Regional Security Institutions	28
(C) Frozen Conflicts and Status Issues.....	30
3. Transformation Toward Democracy and a Market Economy	35
(A) Democratic Elites and Good Governance	36
(B) Economic Transition and Development	39
(C) Civil Society	42
III. European Agendas Beyond Eastern Enlargement	47
1. Regional Strategies for the Agendas	48
2. Eastern Europe: Cooperation and Neighborhood	49
3. Southeastern Europe: Association and Regionalization	52
IV. Toward a Multi-Layered Europe.....	61

Preface

Since the signing of the Treaties of Rome in 1957, Western European history has been an ongoing process integrating and enlarging European institutions. Over the course of that time, the institutions now known as the European Union have become a major pillar for the security and stability for Europe as a whole. These essential functions can only be perpetuated if the Union can project its capacities and capabilities beyond its current borders. Today's European agenda is defined by integration. Offering prospects for membership in the EU has been a successful instrument for helping shape the transition in Central and Eastern Europe. The imminent first round of enlargement also calls for a deepening of EU integration, which should be resolved through the EU Convention.

While the European Union is preparing for ten new member states, developments in Europe are far from standing still. The countries beyond the EU's future borders in Eastern Europe and the Balkans are undertaking a threefold process of national consolidation, transition to a market economy and strengthening parliamentary democracy. These processes entail risks that range from authoritarian regimes to armed escalation in Southeastern Europe. These risks have a direct impact on European security and stability. At the same time, some areas of internal transition are making serious strides toward Western standards. For this reason, simply reducing Eastern and Southeastern Europe to a set of risks threatens to create a self-fulfilling prophecy. One must always also consider the European self-definition of the countries concerned. In Southeastern Europe, this definition, in combination with EU policy, is the driving force for internal development. Among the successor states of the former Soviet Union, Ukraine and Moldova are deciding in favor for EU membership, and the Union is not meeting their interest.

Developments in the EU's direct neighborhood are dynamic. In the Balkans, change has been driven by conflicts that led to violence. Since the European summit in Helsinki (1999), it has been obvious that the Balkans are a key field of interest for the EU. The Union's fundamental aim for Southeastern Europe is to create a situation in which military conflict is unthinkable—expanding to the region the area of peace, stability, prosperity and freedom established over the last 50 years by the EU and its member states. Pressed by violent events, the Union decided to apply its successful approach of opening accession options and offering intensive transition support. At first glance, Southeastern Europe appears a part of extensive EU strategies, but more detailed analysis shows that Balkan-EU relations are still an open question. Offering prospective membership to ten additional countries ranging from Albania to Serbia is not an easy task. On one hand, legitimate doubts exist about whether the southeastern countries are able to fulfill EU requirements. On the other, integrating the Balkans also requires steps forward in European integration. Both aspects need new analytical solutions and political attention beyond current strategies.

The EU's relations toward its future East European neighbors differ strategically from its relations to the southeastern ones. At present, the EU has identified the need for a new neighborhood policy that takes into account negative side effects enlargement will have for countries that are not currently viewed as accession candidates. Rhetorically, the Union is not interested in building a new dividing line along its future eastern border. This is the guiding principle for shaping the EU's external relations, the second pillar of EU integration. The third pillar of integration, justice and home affairs is, however, driven by the interest of

keeping problems out and borders closed. A new neighborhood policy has to overcome the contradiction between these two areas. Furthermore, the situation within in the region differs widely between an authoritarian Belarus and a Ukraine whose foreign policy agenda is guided by interest in EU membership. A new neighborhood policy has to be based on a policy-oriented knowledge of the regional situation as well as on new possibilities for European integration.

Both neighborhood agendas, in Eastern and Southeastern Europe, are enormous challenges for the continent's future. The Union has hard work ahead of it for many years to come. Because all too often knowledge about transformation, security and integration in these regions is obscure, even for specialists, these two volumes clearly lay out the risks and challenges facing the both countries themselves and the enlarged European Union as a whole.

Risk Reporting 2002 is a joint policy advice project of the Bertelsmann Foundation in Gütersloh, and the Bertelsmann Group for Policy Research at the Center for Applied Policy Research (CAP) in Munich. In line with the general objective of addressing key issues and risks even before they become part of the European agenda, Risk Reporting for a future enlarged European Union's eastern and southeastern neighborhood started in 1999 with the volume *The EU Accession States and Their Eastern Neighbours*. Unlike most studies at the time of the Helsinki European Council, this project focused not the accession states' integration in Euro-Atlantic structures, but rather on enlargement's projected consequences for relations with the eastern neighbors. The next study, *Beyond EU Enlargement*, published in 2001, again followed an unorthodox line of thinking by comparing the relevance and characteristics of specific risk areas related to EU enlargement (i.e. minority issues; visa, border and trade policies; cross-border cooperation; security policies) for the future eastern and southeastern neighbors of an enlarged EU. Differentiated, non-integrationist forms of cooperation are being designed and implemented with the CIS states, whereas the states of the western Balkans have been offered differentiated, long-term trajectories towards integration in Euro-Atlantic structures. Only a multi-layered Europe can come to terms with the conflicting time frames and strategic agendas without risking institutional overstretch or destabilizing disparities along the outer borders of an EU with 25 members.

Many thanks are due to the 25 authors from think tanks, academic institutions, NGOs and government institutions throughout Europe, who contributed greatly to the success of this endeavor. Over and above the requirements of a normal anthology, they met for symposia in Munich, Moscow, Sofia and Warsaw to discuss content-related prerequisites and to compare notes on national and regional peculiarities. The essays were completed in the summer of 2002, and the editors' strategy paper was finalized in October 2002. Iris Kempe and Wim van Meurs created the initial strategic framework for the individual reports and have amalgamated arguments and recommendations in a thought-provoking paper on *Prospects and Risks Beyond EU Enlargement*.

Prof. Dr. Dr. h.c. Werner Weidenfeld

Director of the Center for Applied Policy Research

at the Ludwig-Maximilians-University, Munich

Member of the Executive Board of the Bertelsmann Foundation, Gütersloh

I. Policy Recommendations for a Multi-Layered Europe

Eastern enlargement of the European Union is a guidepost for a new pan-European policy. From this point of view, the current EU enlargement is less a solution bringing stability and prosperity than a challenge provoking new policies, caused by pressure from Southeastern and Eastern Europe as well as European self-understanding. Post-conflict development in the western Balkans is driven by the EU's approach to stabilization and association, even if the transition of some countries concerned lags far behind Western standards. As reflected in the Ukrainian case, EU accession is also very attractive for some successor states of the former Soviet Union. In addition to southeastern and eastern neighbors' transition problems, European integration in its post-Nice process has to be modified for the Union to retain its capability of action after enlargement.

In its eastern and southeastern neighborhood, the European Union is challenged to develop alternatives to short-term prospects for membership until the Union itself is prepared for further enlargement, and the neighboring countries are able to fulfill the Copenhagen criteria. A multi-layered Europe is based on different levels of cooperation and integration, but in every case the policies should be guided by the two principles of keeping the integration process open and identifying new areas of functional cooperation. Keeping the European integration process open does not necessarily mean that every country should have a right to accession, but at the same time the EU, by its own definition cannot deny the accession status under all circumstances and forever. Simultaneously, there should be serious and attractive alternatives to direct entry into the Union. In this case, "Europe" can be extended through functional cooperation on all levels and in all policy areas that feature mutual interest between the Union and its neighboring countries. At present, the EU's external relations are targeted on accession guidelines that are unilaterally fixed by the West, while mutual relations with countries that do not have prospects for membership must be based on mutual agreements. The overall approach of a new multi-layered Europe can be implemented through the following policy recommendations.

For Eastern Neighbors

The European Union is a crucial actor for strengthening security and stability in Eastern Europe. Beyond the success story of the EU's eastern enlargement, the Union and some member states have already understood the need for a new neighborhood policy. In general, this is a step in the right direction for developing a policy beyond accession and the one-size-fits-all approach of the Partnership and Cooperation Agreements. The existing agreements between the EU and its future neighboring countries are seen more as pious statements of intent than as a sustainable framework for cooperation. Any new institutional framework has to avoid being perceived as just a replication of old mechanisms. Therefore the new neighborhood policy has to be based, to the maximum possible extent, on agreements between the EU on the one side and the different neighboring countries on the other. In any case, the EU should try to avoid unfulfilled membership prospects, as with Turkey, which will not contribute to a safer and more stable Europe; indeed, exclusion and unfulfilled promises might bring about the opposite result.

1. The European Union must implement its normative goal of **avoiding a new dividing line** between the future EU member states and the neighboring countries. Measures to avoid a new dividing line should go beyond declarations by not excluding future enlargement of the EU and by underlining the Union's general openness to countries that belong to Europe and are willing and able to fulfill European norms. Even if a general institutional openness is an important factor for shaping pan-European policy, membership prospects for Ukraine, Moldova and Belarus are not a realistic option for the time being. To avoid unrealistic expectations and new frustrations at being rejected, it should be clear to both sides that any kind of integration with the EU first and foremost depends on the state of each country's internal transition. In this sense, the decision about membership is not made in Brussels or the EU capitals, but is driven by developments in Kiev and Chisinau. At present, all of the future neighboring countries lag well behind Western standards.

Ukraine and Moldova have both declared their strong interest in joining the European Union. The interest is first and foremost a result of internal discourse about foreign policy orientations between East and West, between Russia on one side, and the European Union and NATO on the other. In internal reform debates, EU membership has little to do with fulfilling the criteria of economic stability and sustainable democracy, which from Brussels' point of view are basic accession requirements. By underlining its general openness while simultaneously excluding accession for the time being, the EU should be able to find a new framework to overcome the gap between the neighbors' important foreign policy perception of belonging to the west and their current inability to fulfill western functional requirements. The reform debate within the neighboring countries can be supported by an EU description of being a non-accession country, while unrealistic prospects for membership in the short or even medium term can also be avoided.

2. **Functional cooperation** between the European Union and its neighboring countries should be strengthened in fields of common interest. Based on the analysis of "Challenges for Pan-European Security," transportation and energy are areas where pan-European integration can be advanced. Following the basic idea of functional integration, cooperation in some key areas will have spillover effects on other fields of cooperation. Even without any perspective of EU membership, functional integration could be strengthened into a free trade area or a European Free Trade Association (EFTA). Free trade between EU and its future neighbors is already foreseen within the Partnership and Cooperation Agreements and might also be part of the initiative to create a joint European-Russian economic and social sphere. Nevertheless, this idea should be developed from a vague promise to a concept for functional integration.

Another aspect of functional integration is security. In the aftermath of September 11th, the first steps of a new agenda for Russian-EU security cooperation were already taken. In order to not only define common risks and interests, but also to implement joint defense and security activities, a European Defense and Security Policy has to confirm its capacities and capabilities. September 11th is also an indicator of the embryonic status of European security cooperation. Increasing pressure from the eastern neighbors to build a European security policy should also be seen as an impetus for European integration.

3. The combination of declaring openness to **institutional integration**, as a factor for the neighboring countries' internal reform processes, and strengthening functional integration needs to be differentiated. The decisive factor is the country's self-definition as a part of the West. European strategies have to contend with Ukraine's strong orientation toward the EU, as well as Belarus' official anti-western position. The EU

should take the neighboring countries' European orientation seriously, but simultaneously have a strong focus on internal transition issues.

4. The European Union should elaborate a **monitoring system** for the neighborhood policy related to an overarching dual goal. On one side, neighborhood monitoring should act as an indicator for the state of the transition process within the neighboring states. The EU's country strategy papers published at the end of 2001 were initial steps in analyzing the regional situation and shaping EU policy along regional requirements. At the same time, neighborhood monitoring makes EU cooperation clear for the eastern neighbors. The western decision not to offer membership to these countries will not be perceived as institutional unwillingness but will be seen to depend on each country's internal state of affairs. On the other side, neighborhood monitoring has to be a guideline for the EU's external relations. Two factors are crucial: the countries' interest in joining the EU, and the countries' capacities and capabilities of meeting western requirements, with particular attention on the transition's progress and regress. If both factors are fulfilled, and the EU is able to integrate new member states, further accession cannot be excluded.

Because for the time being the neighboring states only partly fulfill preconditions for membership, neighborhood monitoring should focus on requirements for good neighborly relations. As a precondition, the EU has to identify and implement a new neighborhood policy. Based on the expert group's analysis, certain areas should be linked within the new approach, and therefore be part of the monitoring. These include transition toward some basic requirements of the *acquis communautaire* such as a market economy and sustainable democracy. Furthermore, it should also include some factors that are particularly significant for good neighborly relations, such as an efficient and controlled border, a framework for cross-border cooperation, and basic requirements for a free trade area with the EU. Fulfilling the criteria of a good neighborhood should be a condition for deepening European cooperation. Monitoring should be conducted annually in joint cooperation between the states concerned and the European Commission.

5. Under present conditions, **Belarus should be treated as a special case**. The overall goal is to understand Belarus as an isolated country whose transition is prevented by its leadership, but which has the potential to be a European partner. Because of its geographic situation, with direct borders to Poland and Lithuania, and because it was one of the most developed parts of the Soviet Union, the country is important for European cooperation. But because of the authoritarian regime of president Lukashenko, the country lags far behind other transition countries in democratization and modernization. Nevertheless, western decision-makers should change the general course of isolating Belarus into a kind of acupuncture strategy. The development of something beyond the current system is more important and realistic than fighting against it. On this basic assumption, market economics, democracy and civil society could be strengthened by European support. An overall goal is to bring the country back to the West. This could be achieved by small steps, such as teaching western languages and creating platforms for East-West communication. Cross-border cooperation with the accession countries Poland and Lithuania has to be strengthened.
6. Poland's and Lithuania's **introduction of visa regulations** driven by the Schengen *acquis* in July 2003 has to be accompanied by a positive visa strategy. After ten years of fruitful cooperation along the future EU external border, decision-makers and societies on both sides of the boundary perceive Schengen *per se* as building a new dividing line. Taking this negative perception into consideration, introducing the Schengen *acquis* is a litmus test for Europe's willingness to avoid new dividing lines. Candidate states, in cooperation with the European Commission, have to strengthen their administrative

capacities to issue visas efficiently. Long queues, waiting times and a small number of consulates will not only complicate crossing borders, they may lead to corruption and are also a very bad image of European cooperation. In its own interest, the EU should support the candidate states in introducing visa regulations efficiently. In addition to administrative requirements, an information campaign should be conducted to depoliticize the visa issue. By making Schengen transparent and efficient, it can be reduced to its real function.

While introducing the Schengen regulations, cross-border cooperation should be deepened and widened. Based on the concept of the European Union's Northern Dimension, an Eastern Dimension is an option for putting cross-border cooperation into a European framework. The Union has to consider the experiences of the Northern Dimension, as well as specific requirements of an Eastern Dimension. As long as the concept does not include funding and a European legal framework, it will remain a myth. Based on additional financial and institutional support, an Eastern Dimension is one pillar in a new neighborhood policy and that avoids new dividing lines.

7. Medium and long-term thinking about **Kaliningrad** should go beyond the transit problem. Russia and the EU should concentrate on new approaches to stabilize the region. In the fall of 2002, Kaliningrad has been the test case for EU enlargement in regard to Russia. Even if Moscow is still using Kaliningrad as a lever to influence EU enlargement, the question of transit from the Kaliningrad exclave to the rest of Russia remains relevant. This decision changes the Russian regional "hot spot" of Kaliningrad into an area of overlapping interest. Volume one includes some recommendations that can be used for Kaliningrad beyond the visa problem. The most important goal is economic and social development, which depends first of all on a proper strategy of infrastructure and technological modernization. This strategy should be elaborated jointly and financed on a share or parity basis. Independent estimates assess investment needs in this field at ≈650 million within 6 years, which is relatively little money compared to resources that will be available to Poland and Lithuania, but much more than Kaliningrad can hope to receive under the Technical Assistance for the Commonwealth of Independent States (TACIS) program.

Considering Kaliningrad's exclave position, cross-border cooperation is very important and should be strengthened. The EU initiative on the Northern Dimension should be used more actively. Its own actions ("value-added") should be coordinated with activities of the CBSS to form "coalitions of the willing" from member and applicant countries to build on an existing constituency. Otherwise, there is a risk that the initiative will be left without a distinguishable agenda and fade into history. Furthermore, the Northern Dimension's efficiency also depends on additional funding from the EU. The EU should also encourage bilateral and trilateral Lithuanian-Polish-Russian projects, as long as some of them can be implemented without EU money, or financed with credit instruments already available to applicant countries. In this context, the idea of combining funds from different assistance programs deserves a more positive response. The same recommendation applies to environmental security.

From the Russian side, the perception of Kaliningrad has to be changed from a strategic pillar into a weak region that demands particular support. Given that Russia still lacks coherent approaches to regional policy, Russia and the EU could agree to set up a joint regional development fund that could even be administered by an independent bank or consortium. The availability of Russian financial instruments creates a window of opportunity, which could produce useful synergies.

8. **Technical support** from the European Union should be more related to neighborhood requirements. The EU's country strategy papers published in December 2001 create a conditionality between regional analysis and supporting the transition process. Based on a conditionality approach, technical assistance should be linked to EU demands for a new neighborhood policy. Technical assistance should go to the areas of functional integration. The combination of supporting efficient borders and strengthening cross-border cooperation should be particularly important for technical assistance. Even if TACIS has made important transformations in its decade of existence, from a program driven by the "Washington consensus" (transformation through liberalization) toward institutional change, it has to continue evolving and adapting its processes. The regional situation can be considered on the basis of the neighborhood monitoring. Internal processes should avoid red tape; for instance, the monitoring systems have to be proportional to the projects.

The goals and the funding mobilized to attain them should be interrelated. In comparison with the candidate states and the Balkans, the neighboring countries receive a relatively small amount of technical aid. For the present, EU enlargement has higher priority, but one should also consider the positive aspects of integrating the accession countries into the Union. As a positive side effect, pre-accession support will decrease. In the medium term, PHARE funding should be transformed into TACIS funding, which will also create conditionality between technical assistance and neighborhood policy.

9. The neighboring countries are a driving force for **strengthening the European Security and Defense Policy**. The tragic events of September 11th and Russian President Putin's surprisingly pro-western orientation afterwards made the requirements for security cooperation quite obvious. The neighboring countries, first and foremost Russia and Ukraine, are interested in security cooperation with the EU, even if the Union still has limited capacities and capabilities in the field. Furthermore, a small number of frozen conflicts are locked within the neighboring countries. These range from the armed conflict in Chechnya to unsolved status questions and economic interests in Transdniestria and are related to a combination of regional conflicts and institutional weakness. Because the EU and Russia have already agreed on some regional hot spots within the former Soviet Union, the decision for joint action has been made. Once again, future initiatives depend less on EU and Russian interests but much more on strengthening European security policy.

For Southeastern Neighbors

With the long-term agenda of regionalization and integration set, the challenges of Southeastern Europe (SEE) involve bridging the long time span to EU membership effectively and meaningfully, while keeping all the countries and entities in the heterogeneous region included in the process. The challenges also include moving from stabilization to integration, and from an externally-driven reform process—with the inevitable asymmetries and unintended consequences—to partnership, regional ownership, and sustainability. In sum, EU policy instruments need to become more flexible and differentiated. Whereas the advantages of eventual membership will come in a managed, incremental process, the illusions of partial or virtual membership should be avoided by developing functional forms of cooperation within the region, as well as between the region and Europe.

1. **Security:** EU support for regional initiatives in Southeastern Europe should be set according to clear priorities. Variables could include membership diversity, practical achievements, bottom-up approaches, and consistency with the international community's goals in the region. Moreover, the security initiatives should be both implemented and constantly reviewed. To this end, clear-cut screening criteria should be devised and mechanisms for civil society to monitor the initiatives should be supported.
2. **Governance:** At present there is little compatibility between the EU framework and the Commission's stated aims in governance. There needs to be open and public recognition that the process of external governance, in managing the integration of Southeastern European states through the Stabilization and Accession process (SAP), risks weakening the standing and capacity of SEE state institutions and also risks marginalizing democratic processes, at least in the short term. Unless the problems of building state institutions and developing civil society are addressed in the context of the historically unprecedented level of external regulation, the risk of unintended outcomes will be magnified enormously. As long as state institutions and political processes in Southeastern Europe are judged solely on their compatibility with EU mechanisms, rather than in relation to domestic political, economic and social constraints, there is a risk that governance reform will fail to address key domestic questions. It is important that SEE governments have more input into SAP and Community Assistance for Reconstruction, Development and Stabilization (CARDS) priorities to avoid spending EU funds unproductively. Rather than focusing on integration by seconding EU officials to work through an EU agenda, it would be better to train Southeast European civil servants and invest in government infrastructure. A more interventionist approach poses clear problems of sustainability and external dependency. Imposing EU policy should not be seen as a shortcut to institutionalizing good governance practices, because this raises the problem of artificiality. There is a danger of imposing external policy frameworks that could result in paper institutions with little influence over, or relationship to, society. There needs to be international recognition that the encouragement of "government by task force," and the creation of new policy institutions outside the formal democratic framework of the SEE state, may result in unintended consequences, such as the weakening of state capacity. This is particularly a danger when these *ad hoc* bodies seek to influence state policies through appeals to external bodies rather than relying on domestic political processes. Building civil society needs to feed into the domestic political process rather than take resources away from this process. Civil society groups need to be judged on their membership and articulation of social needs rather than their policy. A civil society that relies too much on external financing may be unable to provide an alternative voice or develop broader policy-making discussion and involvement.
3. **Economics:** EU conditionality in bilateral relations with individual SEE countries is at present probably the most important instrument for implementing certain EU objectives. The criteria that the countries are expected to fulfill are well known to SEE governments, but foreign assistance programs do not always fully conform with these criteria, nor do they necessarily respect the interests of the beneficiaries. Thus, a stronger link between existing EU conditionality criteria and concrete objectives of assistance programs is required. To make donors' projects more recipient-driven and less donor-driven, greater flexibility by donor to take greater consideration of recipients' concrete needs would be highly desirable. Mechanisms to screen external intervention within the SAP, which link access to finance from western aid agencies to compliance with certain criteria, have to be introduced. Given the long time horizon for EU membership of most SEE countries, it would be more useful to adopt criteria designed

to assist development and transition efforts of SEE economies, rather than insisting on criteria that are only likely to become important at a later stage, at the moment of EU accession. It may be preferable for SEE countries to devote their scarce resources to reforms and development, rather than to harmonization with EU legislation. Thus, both agendas of stabilization and integration often fail to provide the incentives and preconditions for economic growth.

4. **Strategic complementarity and institutional congruence:** The Informal Consultation Council ought to be enhanced and upgraded to become the common forum for consultation among the key strategic actors on southeastern enlargement: the EU Council Secretariat, the European Commission, the South East European Cooperation Process (SEECp), the Stability Pact and the EU Presidency, the United States, the South East Cooperation Initiative, the World Bank and NATO, as well as—temporarily—the Special Representative for Kosovo and the High Representative for Bosnia-Herzegovina. Regionalization and true regional ownership require a SEECp with stronger capabilities, not necessarily institutionalized, including regular ministerial meetings in key areas of potential regional cooperation: security, economics and trade, energy, etc. The Stability Pact ought to define its own agenda selectively and proactively based on actual and potential added value that is complementary to the Stabilization and Association process. Consequently, the Stability Pact's table structure has to be reconsidered and certain other tasks regionalized, transferred to the EU or phased out in the medium term. Thus, the strategic capacity of the Office of the Special Coordinator will have to be strengthened.
5. **Monitoring:** The density and intensity of external guidance and assistance, combined with the relative weakness of the counterparts, requires a consistent monitoring system. Monitoring ought to be broader than the criteria and conditionalities of the Stabilization and Association Agreements. It should not be overly focussed on the EU *acquis communautaire*, as in most countries and areas in question, the driving force is still the prospect of EU integration, rather than the precise stipulations of the *acquis*. Monitoring also includes the effectiveness, prioritization and congruence among international donors and agencies. The results of such comprehensive monitoring and screening would be equally helpful for the international community and national governments.
6. **SAP:** Coherence of the EU agendas of stabilization, regionalization and integration implies that cross-conditionality can be applied more vigorously and transparently. Non-compliance with international obligations (ICTY, Res. 1244 or Dayton) could be linked to progress in the SAP. In order to include all countries and entities of the region in the process and the Stabilization and Association Agreement (SAA) path, a special *SAA-Minus* has to be defined for those incapable of fulfilling the SAA admission criteria in the medium term, e.g. due to unresolved status issues. Once the constitutional constellation and the SAA procedure for Serbia and Montenegro have been arranged, Kosovo would be a prime candidate for *SAA-Minus*, with reduced conditionality and reduced but effective assistance and benefits. Conversely, the logic of conditionality requires that each country's "graduation" from SAA to candidate status depends on the reform criteria in the agreement, not on its planned duration. The separation and sequencing of SAA and candidate status, however, is not violated by selectively offering relevant pre-accession instruments to the more advanced SAA states, for example, screening for the adoption of the *acquis*, certain economic instruments and assistance for building administrative capacity. Eventually, this *SAA-Plus* approach might significantly shorten the actual phase of accession negotiations and strengthen the country's "locomotive role" within regional cooperation.

7. **For southeastern enlargement:** SAp and EU candidate status should be upheld as separate but sequential trajectories for EU integration. The EU perspective for the Balkans, the logic of regionality and the concept of SAp-Plus imply that as by 2004 DG Enlargement will take responsibility for both the remaining candidates of eastern enlargement and for the SAp states in a new DG Southeastern Enlargement.
8. **Functional cooperation:** Regional cooperation should be made obligatory and instigated with vigor only in forms that are beneficial for both advanced countries and laggards via the Stability Pact (SP) and the South East European Cooperation Process (SEECPP): regional infrastructure, energy networks, free movement of goods, capital and persons within the region, etc. In many issues of civil society development, regional cooperation can add value, but it should not be a directly requirement of European conditionality. Accordingly, functional regional cooperation should be less constrained by the EU's distinctions among members, candidates, SAp countries and non-members. Without raising the specter of virtual, partial or second-class membership, the EU might intensify cooperation in some policy areas (e.g., the fight against organized crime, environmental policies, and security issues). Functional cooperation would be beneficial for both the region and the EU.
9. **Pan-European benefits:** In view of a completed Europe that will include the western Balkans, some exclusive EU benefits can be turned into "pan-European" benefits to strengthen regional and European solidarity without violating SAp conditionality. EU member states and European public opinion may be used to the complexity of the EU's architecture and working methods. Generally, this does not apply to the Balkan states and their populations. It certainly does not mean the lack of clarity about EU priorities in the region, compounded by multiple and often divergent EU messages, is a minor issue that merits only minor attention. Moreover, familiarization with the EU's working methods and internal politics would also enhance the capability of the countries of Southeastern Europe to improve their cooperation with EU institutions. Citizens from the region could qualify for EU educational programs and for staff positions in the EU. Information campaigns on the Union ought to include the region on an equal footing, and observer status for the states in the European Parliament or at the next Inter-Governmental Conference might be worth considering.

II. Prospects and Risks Beyond EU Enlargement

By the end of 2002, the die will be cast for the enlargement of “Europe.” The European Union envisions an enlargement of eight East-Central European transition countries plus Cyprus and Malta. Having passed through a ten-year process of political and economic transformation leading into EU accession negotiations, they now qualify for full membership. This round of enlargement will increase EU membership from 15 to 25 countries, the territory by more than 20 percent from 3.3 to 4.0 million sq. km. and the population by almost 20 percent from 370 to 440 million inhabitants. Meanwhile, the European Union, originally a club of six consolidated democracies and industrialized economies, is in the middle of the process of redefining itself. Not only the current convention on the future of Europe and the next Inter-Governmental Conference (IGC), but also the recent endeavors to strengthen the foreign-policy, military and crisis-management capabilities of the EU in the framework of its Common Foreign and Security Policy (CFSP) and European Security and Defense Policy (ESDP) are likely to have a profound impact. In sum, the EU the candidate countries will accede to will be quite different from the one they set out to apply to in 1993. Despite the epochal achievement of post-communist transition that these countries have mastered, with the assistance of the international community and with the prospect of EU membership as a catalyst, the signing of the actual accession treaties will by no means mark the end of the integration process.

In line with its open-door policy, NATO too will most likely admit another seven countries as full members, and all other countries of the former eastern bloc (except Yugoslavia and Bosnia-Herzegovina) have joined the Partnership for Peace (PfP) and the Euro-Atlantic Partnership Council (EAPC). As a result of Russia’s pro-Western behavior after September 11th, NATO created a new NATO-Russia Council, whose competencies should go beyond the former NATO-Russia Joint Permanent Council. Compared with the old institution, the new one should allow more decisions involving both partners to be made more openly, but in any case the reform still has to prove its sustainability. The organization the seven new members are about to join, however, has redefined its appearance and its agenda. Changes include the shift from collective defense to conflict prevention and crisis management, the EU acquiring its own aspirations and some capabilities in the relevant areas, an emancipatory redefinition of transatlantic partnership, Russia’s new role as a strategic partner and, finally, the still inestimable consequences of September 11th for world order in the 21st century.

Despite the challenges of European reform and accession, on one hand, and the new global paradigm of the “war on terror,” on the other, the process of European integration in the wider sense has not reached its *finalité*. Rather, NATO and EU enlargement have created two approximately matching architectures of integration, with the exceptions of Romania, Bulgaria and Turkey, which will become NATO members while remaining only candidates for EU membership. The organization with the less comprehensive and demanding set of conditionalities and accession criteria has successfully instigated a series of mechanisms and programs to support and involve neighboring countries that are not yet able to become full members: PfP, EAPC, the Membership Action Plan (MAP) and the Mediterranean Dialogue.

Conversely, the European Union’s relative success in transforming and integrating new members has frequently been contrasted with its inability to design strategic approaches to

countries and regions that cannot yet be offered future membership. The approaching round of enlargement will create a new outer border of the EU with exactly such regions. Including Romania, the new eastern border from Narva on the Baltic Sea to the Danubian estuary on the Black Sea will add 3700 km of frontier with Russia, Belarus, Ukraine and Moldova to the current 1470 km of Finnish-Russian border. Moreover, to the southeast, in addition to Turkey as a non-negotiating candidate, the western Balkans as a region of recent conflicts will become an enclave within the EU, with nearly 24 million inhabitants and 264,000 sq. km. Since 1999, the five countries in the area have become “potential candidates” for EU membership. This status sets them apart from the future Eastern neighbors that have either never expressed the wish to become EU members (Russia and Belarus) or are decades away from qualifying for candidate status by current standards (Moldova and Ukraine). Nevertheless, for most, if not all, countries of the western Balkans, the road toward EU membership will be long and arduous.

NATO and other relevant organizations in norm-setting, stabilization and transition in Europe, e.g. the OSCE or the Council of Europe, have more limited responsibilities and thus reduced conditionality and moderate entry criteria compared with the EU. These other organizations have been able to avoid the dilemma the EU is currently facing. While struggling to preserve internal cohesion and dynamism in the face of enlargement and new global and regional responsibilities, the EU bears the brunt of this dilemma. There is no exit strategy to direct neighborhood to the east, and the logic of a European *finalité* presupposes the inclusion of the western Balkans enclave. In both cases, to the east and to the southeast, national and regional deficits in stability and transition are increasingly becoming European problems, and the solutions will have to be European solutions. Consequently, the EU as an inherently open organization faces the dilemma of how to relate to neighbors that are unable and often reluctant to engage in the transition and reform that lead up EU integration. On one hand, the EU thus lacks an adequate partner, while on the other, if only out of self-interest the EU must engage at least in the stabilization of the neighboring countries. The EU’s leverage and external guidance, however, heavily depend on the credibility and attractiveness of the prospects for integration. The Union’s capabilities and attractiveness, in turn, depend on norm-setting and membership conditionalities. In sum, the EU has to reconsider the inclusive programs and benefits it can offer to *all* neighboring potential candidates and non-candidates, without endangering the quality and the power of full membership.

Prior to the 2004 accession round, the EU had to come up with answers to a series of related concrete questions, such as the most prominent and self-evident consequence of enlargement, the Kaliningrad quandary. At the EU-Russian summit in November 2002, a formal solution was found for transit between Kaliningrad and the rest of Russia. This ends a long strategic debate and opens at the same time opportunities for a sustainable Kaliningrad policy, which has to be driven from both the Russian and European sides. The overall goal is to decrease regional weakness and the asymmetries between Kaliningrad and neighboring Poland and Lithuania through an efficient regional policy, European funding for modernization and infrastructure development, and cross-border cooperation.

Overall, the Kaliningrad case was blocked by unclear status issues related to conflicting interests. Similarly, a solution has to be found for Kosovo’s status limbo that excludes the entity from loans from the international financial institutions (IFI) and other state-oriented processes such as the Stabilization and Association Agreement. The secessionism of Transnistria, moreover, points out the EU’s self-imposed constraints on the reach of its conflict management, which includes the Russophone diaspora in Estonia and the confrontation between Slavs and Albanians in Macedonia, but explicitly excludes the stand-off between Chisinau and Tiraspol in Moldova.

Clearly, neither a “Fortress Europe” nor an indiscriminate “contiguous” mode of enlargement can resolve this dilemma. Once made, the promise of “a perspective of future membership” becomes irrevocable, as the case of Turkey has demonstrated. Apart from the general assumption that no country is *per se* excluded from the European Union, any allusion to prospects of membership that are by current standards at best decades away is counterproductive. It risks a loss of credibility for the EU and public frustration in the country involved. Adequate public policy and responsible management of expectations require fairness and restraint. A sound process of reform toward a market economy, a consolidated civil society and a pluralist democracy are *conditio sine qua non* for EU integration, not vice versa. Only after a certain critical level of transition has been achieved does a well-defined framework of EU integration to guide reforms and transition policies become relevant and productive.

Shortcuts toward candidate status in the transition process and shortcuts of partial or virtual membership within the pre-accession process would have unintended consequences. Otherwise, the ideal of EU membership might easily, e.g. in Ukraine or Moldova, become the national elite’s favorite foreign-policy slogan without links to domestic reform efforts, or producing simulated rather than real, sustainable reforms. Post-communist transition cannot be reduced to a handful of quantifiable indicators. A GDP ranking thus tends to underrate the disparities among the fifteen EU member states, the ten accession states, the three remaining candidates, the five associated countries to the southeast and the four non-candidate neighbors to the east. The GDP of the ten candidates is less than 5 percent of the EU-15’s GDP. Romania’s GDP per capita is 25 percent of the EU-15 average, Macedonia’s and Moldova’s even lower. Therefore, programs and strategies have to be developed that enhance a neighboring country’s reform capability, and thereby its ability to meet EU conditions, without relying on the status of pre-accession or, in the case of the western Balkans, “association.”

Conversely, the level and intensity of EU assistance, and the pull of EU integration, are key factors in any post-communist transition process toward democracy and a market economy. The agenda the EU defines for its relations with a certain country, as well as the forms and intensity of assistance linked to this agenda, are the determinants of the relationship. The agenda the EU defines for an adjacent country or region is the combined outcome of the neighbor’s situation and potential, including stability risks, reform strategies or geographic location, and EU views on its geographic *finalité* and institutional dynamics. The EU, however, is not a development agency or a crisis manager. The pre-set agendas and the hurdles of conditionality in many cases threaten over time to produce divergence and drop-outs rather than convergence to the EU model. These asymmetric relations, i.e. weak neighboring states in combination with strong European guidance and assistance, tend to produce unintended consequences. In weak states with low absorption capacities and low state functionality, the sheer massiveness of external guidance and assistance has not produced the expected results and efficiency, while often creating or exacerbating new problems. The density and intensity of assistance varies tremendously depending on the EU’s agenda, rather than objective local needs for transition assistance. For example, the financial commitments in the 2000 budget of the EC for the western Balkans (24 million inhabitants) were twice as high as for the CIS (282 million inhabitants).

1. Strategic Dilemmas and Risk Reporting

Already in 1999, the precursor of the Risk Reporting project¹ identified shaping relations with these new neighborhoods to the east and southeast as a key strategic challenge beyond the ongoing process of eastern enlargement of the European Union. Meanwhile, the issues identified in the first round of Risk Reporting²—border and visa regimes, minority questions, cross-border cooperation and soft security risks—have made it to the top of the European agenda. This year's second round of Risk Reporting³ is marked by tailored approaches for the two neighborhood regions.

In many respects the “risks” posed by neighbors to the east and to the southeast are similar and typical of post-communist transitions: weak states, ailing economies, potential for interethnic conflict, social disparities and organized crime. Objective differences relate to the relative size and population of the countries, as well as the geopolitical fact that the countries of the western Balkans constitute a relatively small enclave within EU territory. In addition to internal differences, the EU's eastern neighbors differ from the southeastern neighbors in the level of EU cooperation. The EU is already applying its concept of accession prospects and guiding internal reform processes for the Balkans, while strengthening with the eastern members is almost restricted to lip service, even while countries such as Ukraine are declaring their willingness to join the Union. As long as the EU has not developed a new concept of neighborhood policy, enlargement, despite all well-intended declarations, will cause negative side effects for the neighboring states. The other obvious difference, the contrast between the bloody wars of Yugoslav disintegration versus the relatively peaceful process of Soviet disintegration, raises the question of objective factors and independent variables.

In each case there is a triangular relationship among (1) realities on the ground, (2) policies of the respective national government and (3) international, i.e. increasingly European, interference and guidance. In each case, government policy dealing with local realities is partly externally influenced. These realities in turn partly shape European assessments and agendas for the country or region. The agendas are a key factor in the resources made available in assistance and guidance. Conversely, the promises of the European agenda determine the government's readiness to comply with external guidance. Even without unraveling the root causes of this interplay, it is obvious that the dynamics have moved in diverging directions in recent years.

The EU agenda of non-integration and also not creating alternatives to membership for the eastern neighbors has reduced engagement to minimal assistance for stabilization and transformation, plus a vague notion of partnership in broader international and security issues. Conversely, since the fall of Milosevic, Yugoslavia has been offered eventual EU integration. At the same time, foreign policy debate in Ukraine and Moldova led to declared interest in joining the Union, which has so far been refused by the West.

Echoing the diverging dynamics linked to the respective agendas for the eastern and southeastern neighbors, this year's Risk Reporting has designed a specific approach for each neighbor region. In the case of Russia, Ukraine, Belarus and Moldova, the dominant factors in the triangle are regional development and foreign orientation. The risk reports center on an empirical analysis of the risks in each country and in selected “hotspots” such as Kaliningrad or the Transdnistria. Furthermore, the reports focus on transport and energy as potential areas of functional integration, as an approach to strengthen EU cooperation beyond institutional aspects. Conversely, for the four Yugoslav successor states and Albania, the dominant factor is European interference that produces mixed results when combined with the weakness of the national states and civil societies involved, on one hand, and with the density of risks on the

ground, on the other. Thus, the Risk Reports center on European strategies and institutions, and assess them in relation to the weak partners and potential risks.

The key word for the east is the asymmetry between the EU and its partners in a combination of unfulfilled potential for reform, on one hand, and high expectations for EU accession, on the other. For the southeast the key is the unintended consequences generated by a similar asymmetry, in combination with massive and intense external interference. In sum, although it would be narrow-minded to claim that the European dimension is an afterthought in policy-making in the east, it would be naive to claim that realities come in as an afterthought to the European dimension in the southeast. The overall objective for the non-accession countries beyond EU enlargement to the east has to be a new and consistent neighborhood policy. The overall objective for the potential-but-not-yet-candidates to the southeast has to be well-designed management of the heterogeneous and protracted process of integrating the region into Europe. Both strategies have to be based on differentiated assessments of the regions and new European thinking beyond conventional solutions. A multi-layered Europe offers various forms of transition assistance and functional cooperation to relevant European partners without forfeiting the quality and attractiveness of EU membership.

The Eastern Agenda

The European Union's eastern enlargement is a success story whose gains have been based on the combination of norm-setting for the transformation and the prospect of accession to the EU. The Union's policy in this area decisively contributes to improving stability and security in Europe. However, the concept cannot simply be extended to all of Europe, as this would require European integration to go so far that it could encompass the vast size and panoply of Russia. The EU is currently neither willing nor able to make such a leap in integration. Currently, signals indicate that an opening to the states of southeastern Europe will follow the eastern enlargement. Following the admission of states from southeastern Europe, the Union will come up against the limits of its capacity for integration. Furthermore, to date Russia has not articulated any interest in membership in the EU.

Although Western reactions, with few exceptions, were restrained, Ukraine continues to call for its accession to the European Union. At the same time, the Ukrainian economy has been growing visibly since 2000. Russia has also surprised observers with its economic growth over the same period. Nevertheless, analysts and decision-makers have often considered the countries' growth a result of rising prices in world commodities markets, as well as a recovery after the economic and financial crash of 1998. These factors can only partly explain the growth in Ukraine, where successes in structural reform must be seen as an additional reason. The more Ukraine, Russia, Belarus and Moldova manage to solve the problems of transformation, the closer will they get to the Europe of the EU. Given a hypothetically successful course of transformation, keeping them out of the EU can no longer be *a priori* explained by outrageous corruption, lack of civil society, and the power of special interest groups. In contrast to Ukrainian progress in transformation, official Belarus has, to date, resisted reforms, and President Lukashenko has managed to uphold his autocratic power. Already, transformation in the states neighboring the EU's future external boundary runs in too many different courses to be supported by a single external approach to cooperation. Targeted policy requires a differentiated evaluation of the situation.

In terms of security policy, 11 September 2001 changed relations between Russia and the West. Until that day, Russia's role in security policy was often reduced to that of a former superpower with leftover nuclear stockpiles and considerable potential for crisis. According to

this logic, Russia would have little power to shape security policy. Since security risks, and above all the fight against international terrorism, were declared top priority, the partnership with Russia has gained new substance. Russia has again become a strategic partner. The new East-West alliance cannot hide the fact that the states along the EU's future border are, on one hand, important partners in security policy, but can, on the other, simultaneously become security risks. In the first place, threats emanate from soft security risks. Regions such as Transnistria, Kaliningrad, Abkhazia and the Fergana Valley are frozen conflicts. No sustainable, negotiated settlement has yet been found for the conflict in Chechnya. This example illustrates how explosive the conflicts in the post-Soviet space can be. They differ in the degree to which violence has escalated, but they are similar in the lack of mechanisms to regulate conflicts, and the lack of actors to mediate. The security challenges that currently come from the states along the future EU border are based on a mix of policy responsibility and potential risk. This requires Western institutions to develop security policy partnerships with partners who are simultaneously potential sources of risk.

The relationship of the EU's future neighbor states is a mixture of political interest in cooperation and the requirements of preventing conflict, stabilizing the transformation and collaborating with Europe, and in particular with the European Union. Western actors have considerable responsibility for meeting the new challenges with a suitable policy. This policy must be defined in terms of security, transformation and European cooperation.

The Southeastern Agenda

The European Union is increasingly becoming a regional power and a guarantor of security and stability in the Balkans with a unique set of policy instruments that range from diplomatic and military crisis management (CFSP/ESDP) through regional stabilization (Stability Pact) to reform assistance with a long-term goal of integration (SAP, CARDS). An insular region of instability would contradict the EU's self-identification as regional power and guarantor of security and prosperity in a wider Europe. The prospects of long-term EU integration, with the SAP and, to a lesser extent, the Stability Pact as credible road maps leading to accession have become the key incentives for reform and stability in the region. In the aftermath of September 11th, while shouldering the main burden for the region's future, Europe is also bound to prefer a self-sustaining model for regional stability.

The basic dilemma of the region, however, is the structural tension between the necessity for massive, intensive and multifaceted external "interference," on one hand, and the economic and political dependence as well as deficits in democratization and regional ownership that the interference generates, on the other.

Developmental or reform assistance is increasingly identified as a potential destabilizing factor in weak or failing states. Therefore, focus shifts from more assistance and more policy prescription to self-sustaining development and regional ownership. Considering the complex architecture of international interference in the region, and acknowledging that multitude does not equal pluralism, a review of the division of responsibilities among organizations and levels might reduce counterproductive duplication and competition. Such a review might also reduce conflicting strategic principles and policy instruments. The diverging dimensions of interference, which range from conflict management and regional stabilization to reform assistance and roadmaps of integration, highlight the need for screening criteria, risk identification and conditionality mechanisms that cover both acute crises and incremental reform policies. This round of risk reporting critically surveys the institutional architecture, policy principles and screening procedures of external intervention in the Balkans.

In the past decade the western Balkans have been largely unable, due to adverse initial circumstances and structural deficits, to generate reforms and development similar to East Central Europe or the Baltic states. Even in the current post-Milosevic window of opportunity, with democratic governments in all of the region's states and state-like entities dedicated to political and economic reform, regional cooperation, negotiated arrangements and Euro-Atlantic integration, international resources, incentives and engagement are still deemed essential for the region to catch up. The prospect of EU membership in a southeastern enlargement to take place in 10 to 15 years is forcing countries and the region as a whole to leap to maturity and shake off the structural deficits, dependencies and the legacies of the past. As an insular region with a potential and a track record of instability, the western Balkans are increasingly subjected to massive international and European interference in political, economic and security issues. For analytical purposes, externally induced processes of reform on the basis of international norms have been divided into three areas: governance and civil society; economics and reform assistance; security and regional stability. This division echoes the three working tables of the Stability Pact.

Structural deficits in building institutions and good governance hinder the effective use of international assistance. Deficits in the capacity to use aid, aid dependency and misappropriation of resources weaken a state's political authority and economic control. The legislative power and veto rights of the High Representative in Bosnia and the Special Representative in Kosovo contradict basic requirements of democratization, civil-society consolidation and ownership in policy-making processes. However, a democratic *carte blanche* for obstructionist political forces risking ethnic conflict and legislative inertia would do the same. The current window of opportunity for self-sustaining, legitimate processes in regional and national ownership underlines rather than negates the pivotal role of the international community, as indigenous structural weaknesses and blockades in the reform processes persist.

Despite the dire consequences international disengagement would have, international interference in national and regional processes has its own inherent inadequacies. These are rooted in the externality of the assistance, guidance and control. External interference *eo ipso* contradicts the imperative for indigenous capacity building and regional ownership of reform. Moreover, the intricacies of international interference and government deals are by and large exempted from democratic control and domestic transparency in policy-making. By inducing regional authorities to implement an agenda of reform priorities, external dependence increases at the cost of domestic responsiveness, legitimization and accountability.

Because of the catch-22 of indigenous weaknesses and international inadequacies, the "regional approach" has recently advanced to cult status. The pooling of regional resources and the synergies of regional cooperation are identified as an alternative to both international interference, with its potential negative side effects, and to indigenous reform blockades. On closer scrutiny, however, it becomes apparent that the regional level may be a pragmatic alternative for some policy issues rather than a panacea, as many structural problems must be tackled on the national and/or international levels.

Despite the experiences in East Central Europe and despite the far larger impact and potential side effects of external interference, the amount of international engagement and assistance in a relatively small region, and even the formation of quasi-protectorates, are often considered cause for optimism about national and regional reform. Similarly, the stabilization of the countries in the region is often seen as a binary, irreversible process. Once instability has been conquered, reform-oriented elites are expected to lead the way to stability, prosperity and Euro-Atlantic integration. In recent months, however, the Tetovo crisis in Macedonia forcefully demonstrated the fragility of stability. Macedonia was the first country to meet the conditions for a Stabilization and Association Agreement at the Zagreb Conference in

November 2000, but a small number of rebels soon thereafter exposed the vulnerability of Macedonian political and societal arrangements. On this evidence, it is a fallacy to assume that the Balkans are currently at the crossroads between progressive stabilization and spiraling destabilization, or that the region's vicious circle has at long last been replaced by a virtuous circle. Rather, both trends are intimately and causally linked. Paradoxically, the trend toward stabilization thus entails new, heightened risks of destabilization. Last but not least, the international community is not an external actor. Appealing to the interests of and provoking specific reactions from the international community has become an integral part of regional politicking.

Disparities in stability and prosperity are bound to increase along the future outer borders of the European Union. Abortive reform processes in some of these neighboring states, with their long history of inter-state, inter-ethnic and intra-state conflicts, creates a stalemate situation with substantial risks for Europe as a whole. Failing or weak states and state-like entities in the periphery are potential victims of "conflict economics" and its double disruptive effects. The proximity of the prosperous enlarged EU and the availability of EU assistance create the preconditions for "aid-dependency," as well as for creeping criminalization of the economy. Coterries of political and business elites have vested interests in simulated reforms and reduced state authority. A destabilizing potential may become a state's only asset for accessing international assistance. Nationalist mobilization becomes a key instrument in discrediting reform strategies and consolidating a high level of instability and conflict with maximum scope for profiteering. At the same time, state weakness and abortive reforms result in progressive pauperization of the population, a precondition for nationalist mobilization. In a number of cases unresolved questions of status and sovereignty add to the weakness of small states and state-like entities.

The argument above runs counter to many expectations about the transition process. National movements may derive from elite considerations of economic and political profiteering, rather than "righteous" motives of national self-determination for the populace. Identifying specific persons or groups, usually the "conservative" communist *nomenklatura*, as the key culprits in simulated or nonexistent reform ignores the structural causes of the problems. In contrast to optimistic views of post-communist transition, the downward spiral does not make failing or weak states short-lived. Quite on the contrary, the societal and economic basis for profiteering consolidates, and the basis for a belated reform effort dwindles as the reform gap and the social costs increase. More often than not, international assistance intentionally prevents a collapse because of the instability that would ensue. In a way, structural disadvantages—an economically or geostrategically unfavorable position and burdening legacies that obstruct post-communist transition—are aggravated by external interference and assistance. Faced with strictly limited resources and capabilities, indigenous elites are forced to capitalize on their ambiguous position vis-à-vis the European Union and the international community. The elites may be tempted to appeal to the international community's interest in regional stability and highlight the assumed destabilizing effects of reduced assistance that would be the consequence of their failure to meet criteria of democratic or economic reform. In a parallel process, a through criminalization of economy and administration promotes a recurrence of political instability, ethnic conflicts and socio-economic crises. As they fail to meet EU criteria, the potential to generate regional instability remains the only fallback position for weak or failing states.

Thus, tension exists between different sets of policies and strategic principles, sometimes within one field (crisis management, regional stabilization, reform assistance and integration perspectives) of international intervention, sometimes between them. Official policy documents more often than not fail to address these concerns by prioritizing or harmonizing conflicting principles. These conflicts may be summarized in five dilemmas:

- The dichotomy between the general European principle of conditionality, which requires each individual country to meet a set of criteria of individual merit on a bilateral basis, and the principle of regionality, which requires the countries of the region to create synergies in regional cooperation, making progress toward EU association and eventual accession a collective undertaking.
- At least in the perception of the parties and social or ethnic groups in a divided society, international assistance is bound to be seen as favoring one party or group at the expense of another. Whereas humanitarian and reform assistance may exacerbate regional and/or ethnic disparities or promote aid dependency rather than regional ownership, external crisis management may undermine the domestic legitimacy and authority of weak states. Thus, international aid may invigorate rather than alleviate conflicts and tensions by providing resources as an additional incentive.
- In a heterogeneous region, the dilemma of stabilization and conditionality affects the growing disparities between countries with the better preconditions and, consequently, a more reform-oriented elite, on one hand, and countries in adverse circumstances, on the other. But for the overriding motive of stabilization, the conditionality of EU enlargement requires preferential treatment, in terms of assistance and privileges, for the more successful states, thus exacerbating the deficits of those states that pose stability risks for the region as a whole.
- The dilemma of participation and control refers to conflicting requirements for the ultimate decision-making (or vetoing) authority in political and economic transformation processes and indigenous capacity-building. The international community needs the ability to interfere in escalating political conflicts, but nationalist and conflict-oriented strategies may represent a democratic majority, and state institutions without competences or resources cannot be strengthened.
- The dilemma of speed and sustainability refers to the predominantly economic problem of balancing the speed of the reform process with the much-needed social and democratic sustainability for the elites engaging in reform policies. Here again, considerations of stability or integration may accelerate the process beyond the limits of popular consent.

The multifaceted international, above all European, interference in the Balkans implies specific challenges in terms of screening and evaluation, both for the efficacy and goals of external interference, and for its implementation *in situ*. The general evaluation problem concerns the combined tendency of uncritical evaluations created by the institutional dynamics of the assistance process. International organizations, agencies and NGOs tend to give their own efficiency and reform impact an overly positive evaluation because they, too, are in competition for resources and political influence. For similar reasons, recipients in the region evidently echo these tendencies. Thus far the search for an evaluation mechanism that is both unobtrusive and critical has proven elusive: simulated reform, misappropriation of funds and corruption accompany international assistance.

The evaluation problem has another dimension in the case of long-term EU accession prospects. The cumbersome controlling procedures of Stability Pact funding, in addition to the criticism that they delay necessary reform measures, point to an unresolved strategic question. The screening criteria for the Balkan region will have to be in sync with the Copenhagen criteria, but while detailed screening based on the *acquis communautaire* would be premature, diverging sets of criteria would lead to duplication along the way to EU accession. Screening mechanisms designed for regulated assistance and reform support are unlikely to be adequate to detect potential fundamental conflicts and risks to stability. At this

point, a seamless European strategy combining crisis management and reform assistance is obviously still over the horizon.

From a broader perspective, the inevitability and normality of international interference in transformation processes should be emphasized. Even though there is no alternative to interference in the Balkan region, optimizing its benefits and effectiveness, as well as minimizing detrimental unintended consequences remain key challenges. The international community, and the European Union in particular, would be well advised not to underestimate the unintended consequences of well-meant assistance and guidance. Three remedies counter the dilemmas of forced adaptation and structural deficits: first, distributing institutional competences according to subsidiarity, both vertical (national, regional and international) and horizontal; second, enhancing the cohesion and complementarity of international strategic principles and policy instruments, again both vertically and horizontally; and third, upgrading the evaluation criteria and mechanisms. These should both evaluate the effectiveness of international policies and reform progress in the region, on one hand, and identify indigenous risks to stability and negative side effects of international interference, on the other. In sum, however, all three policy areas—security, economics and governance—hinge on the choice and hierarchy of European agendas for the region.

2. Security and Stability

The distinctions between hard and soft security risks, as well as between internal and external security are increasingly obsolete. Typically, in the area of the enlarged European Union, ethno-national conflicts and instabilities are increasingly exposed as facades for underlying structural problems of economic despondency and motives of state capture. The security risks of the European neighborhood—excluding violent conflicts that relate to global geopolitics rather than to European integration (e.g. Abkhazia or Chechnya)—are related to questions of undefined or awkward sovereignty, on one hand, and the functional problems of weak or failing states in general, on the other. Risks may thus take the form of issues of border demarcation and management, mediation in disputes of secession and independence, international military presence as a stabilization force, or of corruption and organized crime. Until September 11th, Southeastern and Eastern Europe, including Russia as the successor of the Soviet Union, were first and foremost perceived as a source of security threats. In the new security agenda guided by fighting international terrorism, Russia and the other neighboring countries are also perceived as potential partners. Thus September 11th, as the most important *caesura* after the collapse of the Soviet Union, has strong but contradictory impacts on risk reporting in Eastern and Southeastern Europe.

- (A) In Eastern Europe, September 11th has mainly precipitated a realignment of EU, US and NATO relations with Russia as a strategic partner. Conversely, in Southeastern Europe the global war on terror has precipitated the implicit US exit strategy from the region, or at least a refocusing of the American engagement on terrorism, organized crime and corruption.
- (B) In terms of institutions and alliances for security and stability, the NATO-Russia rapprochement was the key consequence of the war on terror, with results that are still unknown. Although most Southeast European countries have established institutional links with NATO (Partnership for Peace, Membership Action Plan, EAPC, etc.), the main consequences of the new geopolitical situation after September 11 are NATO

membership for Romania and Bulgaria, as well as the intensification of the debates on Turkey's accession to the EU.

- (C) Whereas failing states and cases of fuzzy sovereignty occur in both Eastern and Southeastern Europe, the role the EU has played in handling these sources of risk could not have been more different. The frozen or acute conflicts of Transdniestria and Chechnya can be analyzed by and large without taking the EU into account. Conversely, in the western Balkans each case of fuzzy statehood is encapsulated, mediated and subdued by international military and diplomatic engagement, including imposed constitutional arrangements (e.g. the Dayton, Ohrid and Belgrade Agreements) and *de facto* protectorates, all of which involve the EU.

(A) September 11th and New Strategic Partnerships

Eastern Europe's Support of the War on Terror

Until 11 September 2001, not only Russia but also Ukraine, Moldova and Belarus were, in the first place, security threats for the West. This perception of these countries as a threat resulted from a variety of soft security risks as well as their very limited capacities for conflict management. Russia's failure to implement peaceful settlements of the conflict in Chechnya was seen as the prime example for the risk Russia presented.

The landscape of security policy between the West and the neighboring states in the east has radically changed since September 11. Probably by using communication technology from the Cold War period, Vladimir Putin was the first head of government who managed to contact President Bush. His declaration, "We are with America against terrorism," not only amazed the Western world but also Russian decision-makers and the Russian public. Nobody had expected the aftermath of the East-West conflict to end this rapidly and definitively. Far too much attention had been paid to Russian objections to a second round of NATO enlargement that would include the Baltic states, and to reservations against an American national missile defense system. Russia was considered a difficult actor rather than a partner, which made Putin's reactions to September 11 all the more surprising. These were not only followed by Putin's declaration of unrestricted solidarity with America but also by his speech to the German Bundestag on September 25, when he declared the Cold War to be finished once and for all. These words were followed by actions: Russia supported Central Asian states in allowing American aircraft to fly over their territory during the military intervention in Afghanistan; Russia closed the military listening stations in Cuba and Norway; and Russia provided the US with intelligence on the situation in Afghanistan.

Not only in the West, but also within Russia Putin's reactions caused surprise. A number of people were quick to say that Putin was continuing Gorbachev's betrayal of the nation. Critics coming, in particular, from the nationalist and communist sides emphasized that Putin sold out Russia to the West without corresponding benefits. The list of possible services in return was long and ranged from granting Russia special conditions for joining the WTO to the development of a new debate on terrorism. In consequence, the attacks committed against housing blocks in Moscow and other Russian cities in the summer of 1999 were treated as equivalent to the terrorist attacks against the US. While America declared Al Qaeda the aggressor, Chechen separatists were accused in Russia, although without sustainable proof. Now as before, there have been accusations that the Russian secret services, rather than Chechen terrorists, were responsible for the attacks. In that case the attacks would have been

motivated by the attempt to earn popularity for then-Prime Minister Putin and his policy of law and order. After September 11, however, people demanded that the events in New York and Moscow be measured with the same standards of fighting against international terrorism.

Even decision-makers more likely to be considered liberal could not come to terms with Putin's permanent change of direction. Rather, the new security cooperation was considered a one-off point of change in the relationship, which would not go beyond a short-term coalition in security policy. The end of the new cooperation was, according to this point of view, reached as early as December 2001 when America terminated the ABM Treaty.

Only a small segment of Russian decision-makers fully supported Putin's new foreign policy course. If the position taken in foreign policy was consistently continued and extended to other fields, this would mean that the country's historical blockades against modernization were dissolved. A clear Western external orientation would put an end to the debate, active since Peter the Great, on whether Russia ought to orient itself towards the European West or the Asian East. This would also settle the historic intellectual conflict between Westernizers and Slavophiles. Putin's foreign policy orientation would thus have clear implications for the further modernization of Russia. Any kind of "special path" would lose its attraction in favor of Russia's integration into Western European modernization. Better than anyone else, Dmitry Trenin, deputy director of the Moscow Carnegie Center, has defined the opportunity for Russia's internal modernization as a logical consequence of Putin's Western orientation after September 11. According to Trenin, this political orientation would have implications for the course of Russia's transformation. More strongly than ever before, Europe has the possibility to use the Western orientation in foreign policy to support internal modernization. Such progressive positions illustrate that Russia has made foreign policy concessions that will have an effect on future developments in domestic policy and transformation. More than any other actor in the international arena, the European Union is challenged to use its experience in supporting transformation processes.

In Ukraine, September 11 also resulted in a westward push. Until that moment, Ukraine had tried to follow a foreign policy course that could, diplomatically, be called a balanced policy between Russian interests and Western orientation. Critics, however, found fault with this policy, which they considered maneuvering between East and West without taking a clear stand. After Putin had taken a definite Western course, the opportunities for Ukraine to orient its security policy toward the West also increased. Ukraine also declared its support for the US in combating terrorism. This attitude is a continuation of the relations with the Western security organizations, primarily NATO, which have, to date, already been quite constructive. In contrast to Russia, Ukraine welcomes NATO's eastern enlargement. Ukraine was also an active participant in cooperation within the framework of the Partnership for Peace (PfP) program. During the flooding in eastern Ukraine in 1995, the country was assisted by NATO's civil emergency planning.

In Moldova, and certainly in Belarus, the attack on the US and the following military intervention in Afghanistan did not bring about a permanent change of direction in security policy. Of course, Minsk also declared its solidarity with the US. When, however, shortly afterwards new rumors emerged about arms smuggling with the "rogue states," Iraq foremost among them, came up, these declarations of solidarity quickly turned into mere lip service.

Strategic Partners and Exit Strategies in Southeastern Europe⁴

Whereas Milosevic's Serbia never qualified as a rogue state in US views because its propensity to generate instability was strictly limited to the Balkan region, this very fact made it a key factor in the European stabilization agenda. At least since the inauguration of the Bush administration, and more so in the aftermath of September 11th, the American

geopolitical agenda has been redefined, with the Balkans qualifying for a military exit strategy. From another perspective, however, US attention to the region has merely shifted its focus from ethnic violence and state disintegration to the woeful combination of organized crime, weak states and terrorism. At the same time, the fight against organized crime has entered the European agenda of stabilization and integration, partly for different reasons. Stabilizing the region requires the consolidation of functioning states, and integration requires enhanced cooperation in the field of Justice and Home Affairs (JHA). Because the US approach is more outcome oriented and the European approach more process oriented, transatlantic congruence in this area of international assistance seems improbable. Nevertheless, not only are other risks currently perceived through the prism of terrorism, but the political actors of the Balkans have also adopted the agenda of cooperation in the fight against terrorism by identifying their domestic or regional foes as terrorists. These blatant attempts to instrumentalize international concerns seem to have been largely ineffective so far, but they are indicative of the interaction between international intervention and policy-making in the region. Similarly, manifold regional organizations have copied and pushed the agenda of the fight against corruption, trafficking, organized crime and terrorism. The net result is duplication and overstating the issue rather than effective action. Eventually, the agenda of cooperation with strategic partners in the fight against terrorism would run counter to an agenda of integration based on conditionalities and norm-setting.

The “War on Terror” has marked a geographic reorientation of US foreign policy. Although a tendency of benign neglect characterized the Balkan policies of the Bush administration even prior to September 11th, it has since become common understanding that the Balkans are first and foremost a burden for Europe to shoulder in a new transatlantic division of labor. The nascent European capabilities for military conflict prevention and diplomatic crisis management under CFSP and ESDP are thus in high demand. Already before September 11th, the US State Department had indicated that a follow-up mission in Macedonia ought to be a European endeavor, and the Pentagon proved unwilling to commit any additional forces to this peacekeeping operation. Currently, the only US soldier serving in Operation Amber Fox is a press officer, although American logistical and intelligence support is still crucial for the operation. Typically, in an initial reaction to the dramatic events in New York and Washington, EU commissioner Chris Patten proclaimed the “hour of Europe,” foreseeing both a strong impulse for European integration in security and foreign policy process, as well as increased responsibilities within Europe and beyond.

Despite the upheaval the Macedonia mission caused in German politics, the real challenge and focus for European foreign and security policy is currently the peace-keeping in Afghanistan and the continuing fight against terrorism worldwide. Originally, the envisaged maximum operational scenario for ESDP was much like the limited post-conflict management of the Macedonian type, and the Balkans seemed the only European region where such an operation would be mounted. Even before the European Rapid Reaction Force has become fully operational, reality has already moved on. Conversely, short of a major new conflagration in the region, US re-engagement in the Balkans is not to be expected. Rather, the gradual exit strategy predating September 11th will be implemented.

The terror acts committed by Islamic extremists, and the subsequent campaign to uproot the worldwide Al Qaeda network of terrorists have reinvigorated the idea of a clash of civilizations. Consequently, the debate on Muslim states (and state-like entities) in Europe and their inclusion in a future enlarged European Union has acquired a new dimension. This debate concerns not only Turkey, the thirteenth candidate for EU membership since the 1999 Helsinki European Council, but also the western Balkans and their status as potential candidates for EU membership. Thus, September 11th may have long-term consequences for the concept of Europe and its identity as either an open union or a Western bulwark. Apart

from the question of the territorial limits of a European *finalité*, the threat of destabilization also redefines the trade-off between speed and quality, between stability and conditionality in the parallel processes of EU and NATO enlargement.

Prior to the Kosovo War, no analyst would have given Romania and Bulgaria a ghost of a chance to open negotiations on EU accession. Yet the Helsinki European Council in December 1999 opened negotiations with six more countries and offered Turkey the formal status of EU candidate. Similarly, the war on terror may have a distinct impact on the parallel processes of NATO and EU enlargement. Prior to September 11th, Slovakia and Slovenia, and possibly Lithuania were the best guess for the next round of NATO enlargement to be decided in Prague in late 2002. By now, many consider the addition of seven new members, including Romania and Bulgaria, a forgone conclusion. Conversely, although for complex reasons beyond the scope of this paper, the European Union is also preparing the ground for a “big bang” scenario, including all ten East European accession states except Romania and Bulgaria. This scenario would reinstate the classical Balkans as a European region of potential and real instability, although Romania and Bulgaria would still be EU candidates after a round of enlargement in 2004, whereas the five other countries would have to be content with “an EU perspective.”

At the same time, the international community and its regional partners have been alerted to the risks of terrorism in the Balkans and will increase their efforts to combat both actual terrorists and root causes such as weak states, corruption and organized crime. Such shifting policy priorities will become noticeable in international frameworks and strategies for the region. Thus, September 11th will enhance the importance of Table III (security) initiatives, e.g. combating organized crime, corruption and human trafficking, as they are connected with international terrorism. It remains to be seen whether or not this will be to the detriment of other Stability Pact initiatives, e.g. Table I (democratization and civil society). This adds a distinct European interest to the emerging broad-based Europe policy, identifying the European Union as guarantor of stability in Europe as a whole, including not only the member and accession states, but also the Union’s neighbors to the east and southeast. Thus, Justice and Home Affairs would be a key policy area in a possible strategy of differentiated EU integration for Southeastern Europe. In the long run, an island of instability and a safe haven for terrorists within a continental *pax europeana* is not acceptable.

Because Islamic terrorism has become a pivotal issue in the media worldwide, reports and allegations quickly arose in the local and international press concerning connections between Islamic regimes in the Balkans and the Taliban or Al Qaeda. Whereas the Slavic-Macedonian press claimed to have identified connections between the Mujahedin, their allies and the Albanian rebels in the hills around Tetovo, more substantial reports appeared in the western press highlighting the role of Taliban fundamentalists in the Bosnian War of 1991-1995 and their continued presence in Bosnia-Herzegovina. Predictably, in The Hague Slobodan Milosevic began using his limited speaking time in court to claim he had been fighting a war against terrorism *avant la lettre* in the 1990s, along the lines of Putin’s claims for past Russian actions in Chechnya.

In themselves these assertions are neither new nor implausible. Even before the attack on the World Trade Center, according to US intelligence sources Al Qaeda cells had been “identified in Afghanistan, Pakistan, Bangladesh, Saudi Arabia, Qatar, Yemen, Jordan, Egypt, Libya, Lebanon, Algeria, Tunisia, Mauritania, Sudan, Azerbaijan, Uzbekistan, Tajikistan, Chechnya, Somalia, Eritrea, Kenya, Tanzania, Uganda, Ethiopia, Malaysia, the Philippines, Uruguay, Ecuador, Bosnia, Kosovo, Albania, the United Kingdom, Canada and allegedly inside the United States.” Apart from the Islam factor, fragile state structures, extensive possibilities for criminal activities and insufficient border controls constitute competitive advantages of the Balkans for terrorists looking for a foothold in Europe.

Therefore, too much excitement over Bosnia as a Trojan horse in Western security seems inappropriate, but with the current frenzy of security measures in the USA and Europe, the western Balkans may gain additional importance for terrorist networks in Europe. Paradoxically, the most effective countermeasure may well be a consistent and intensive continuation of the current peace-building process. However, the international community and the European Union in particular will face the challenge of improving security and surveillance in this unstable region. In this context, US arm-twisting of Bosnian authorities to hand over several Al Qaeda suspects in January 2002 to Guantanamo Bay without much concern for legal procedure or civil rights infuriated human-rights groups and is bound to preoccupy the European forces taking over police duties in Bosnia next year.

Nevertheless, former foreign mercenaries who decided to settle in Bosnia after the Dayton Agreement are more relevant for the region than highly educated “sleepers,” who match the FBI profile of the September 11th terrorists. For the time being, moreover, the media hype on real or alleged connections between local Muslim groups and Islamic fundamentalism seems more relevant than their actual numbers and intentions. True or false, these reports are used in regional and domestic politicking, most of all to influence the international policy choices for the region by instrumentalizing the catchword terrorism. The accusation of terrorism thus acquires a new urgency and quality within the region, particularly in competition for international preference and allegiance.

Similarly, in tension-ridden Macedonia, hard-line Slavs have consistently equated Albanians and terrorists, speculating about possible links between the Albanian groups and the Taliban or even Al Qaeda. For the time being, however, Western conflict management seems to worry about the provocations and obstructionism of Slavic hard-liners rather than about external support for the Albanian rebels. A nationalist outcry in Macedonia, portraying the Albanian rebels as “the European face of Osama bin Laden” blocked the constitutional reforms promised in the Ohrid Agreements for weeks. Because most Macedonian Albanians are rather secular Muslims, these allegations were too obvious a ploy to sway Western resolve to implement the agreement and consolidate Macedonia as a multiethnic state.

The argument made by Belgrade and Skopje that they stand for law and order, constituting bulwarks of stability and state sovereignty may touch a nerve in Western capitals in the near future. All the more so, as their opponents in Pristina or Tetovo can easily be portrayed as rebels, extremists and terrorists. Apart from a certain ambiguity in dealing with Muslim states in Europe, another obvious reflex might be a preference for stronger, well-functioning states in the region, adding to the already existing reluctance to see new, fragile states in a further downward spiral of regional fragmentation and destabilization. Nevertheless, given the structural and long-term approach the European SAP is taking toward the region, crude attempts to influence presumed preferences for certain countries or nations are not likely to succeed. Local crises such as Tetovo or Presevo may temporarily overrule the conditionality of the European “pre-pre-accession” strategy, but neither Albanians nor Serbs can claim a special status as guarantors of regional stability or victims of regional conflicts. The crisis in the Presevo valley drove this point home for the Albanians. The crisis of the Macedonian state contained some clear signs for the neighboring nations and states.

The first question, however, will be whether the recent successes of the European Balkan strategy—combining crisis management and military presence with reconstruction and reform assistance—might serve as a model for post-Taliban Afghanistan. A “Balkan model” or a “stability pact for Afghanistan,” however, might be a fallacy. Quite apart from the fragility of Balkan stabilization after the demise of the Milosevic regime (demonstrated by the unresolved Tetovo conflict, which stopped just short of a civil war), the transferability of the Balkan strategy is highly doubtful. Despite the virulence of the ethnic and territorial conflicts in the Balkans, state sovereignty is and remains the highest goal. Minorities may strive for

maximum autonomy or even independence, but state and nation building will be at the core of their program too. It has become common practice to refer to the Balkans as a conglomerate of weak or failing states, although all governments have been elected democratically, have substantial sovereignty over the state's territory and have been accepted as legitimate rulers by most of the populace. Whereas the Balkan model may not be transferable, the key lesson learnt in that region over the past ten years, however, may remain valid. Without an equally substantial and determined program of humanitarian aid, economic reconstruction and political stabilization no military intervention—no matter how massive—can produce long-term stability and security. The political will and stamina of the international community to stimulate and guide processes of stabilization and sustainable development for years and decades on end will be decisive.

Apart from the reorientation of US and European attention away from the Balkans in terms of human and financial resources, the aftermath of September 11th also constitutes a challenge for post-conflict stabilization strategies in general. If the currently dominant trend towards short-lived strategic alliances and exit-strategies persists, European policies for the Balkans—so far based on a regional approach of intensive dialogue and perspectives of stabilization and integration—may eventually be affected by proxy.

(B) Euro-Atlantic and Regional Security Institutions

Building New Institutions with Eastern Europe

The aftermath of September 11 brought about institutional changes. The biggest advance happened in relations between Russia and NATO, with the establishment of the NATO-Russia Council in May 2002. The Council still has to clearly define its working methods. Nevertheless, the first fields of cooperation can already be outlined. The cooperation of 19 NATO member states with Russia is no longer following up on statements agreed upon by the NATO members in advance, but will happen according to the principle of consensus. In that approach, the new institution differs from the NATO-Russia Joint Permanent Council, which has existed since 1997. Sessions of the new body are to be held at least once a month at the level of ambassadors and representatives, and twice a year at the level of foreign and defense ministers. Measures to combat terrorism and prevent proliferation, arms control, civil disaster prevention, the use of military airspace and crisis management will all be on the agenda. Obligations under Article 5 are excluded from the responsibility of the NATO-Russia Council, and Russia does not have an official role in NATO enlargement.

The body certainly offers windows of opportunity for new forms of security cooperation. To what extent the results will differ from those of the previous cooperation council remains to be seen. Prior to the NATO-Russia summit, for example, there were critical discussions about whether founding new institutions would not just end up shifting the problem. It was therefore proposed to develop existing institutions further and equip them with new mechanisms for cooperation.

September 11 has also had an impact on relations between the European Union and Russia. At the regular EU-Russia summit in October 2001 in Brussels, both sides first condemned the attacks on the United States. The coalition against terrorism was generally approved. Yet the Russian side set great store in establishing a direct link between Russia's military intervention in Chechnya and the bomb attacks on Russian apartment buildings in the summer of 1999. The "Declaration on Chechnya," adopted at the Helsinki European Council in December 1999, had already shown that this position did not correspond with the European

understanding of the conflict in Chechnya. Against the background of September 11, these conflicting interests lost importance. The two parties were able to find acceptable language for an agreement on international terrorism. Exchanging information and integrating the topic into the political dialog is in the planning stages. As a follow-up on the "Joint Declaration on Strengthening Dialogue and Co-operation on Political and Security Matters in Europe," which was signed at the EU-Russia summit in Paris in October 2000, both sides agreed on structured and regular consultations in the field of foreign and security policy. The EU and Russia will, as a result, hold monthly top-level consultations on questions of foreign and security policy. The summit participants identified the Southern Caucasus, the Middle East, and the Transdnistria region of Moldova as potential trouble spots.

The definition of regional trouble spots was the summit's greatest innovation. Joint European-Russian action to prevent conflicts could, in the future, be imagined in these regions. This would, however, require the implementation of the goals of European crisis prevention and management, which were formulated at the Cologne summit of the European Council in June 1999. Beyond potential joint missions to prevent and manage conflicts, the decisions of the EU-Russia summit were limited to the institutional structures that result from the Partnership and Cooperation Agreement, and the EU's common strategy for Russia. Moreover, both sides collaborate in the cooperation bodies of NATO. Before new forms of cooperation are created, the successes and problems of the existing approaches ought to be critically surveyed. Otherwise the danger of institutional activism as a pseudo-solution looms.

The other neighboring states are much less important for security policy than Russia. Belarus and Moldova are mainly perceived as security risks. Their impact is regionally limited, whereas their crisis potential is high. Ukraine is a different case. Since Ukraine's independence, the West has taken the country seriously as a security policy actor. The aim has been to maintain the country's territorial integrity and national sovereignty. Creating a counter-balance to the possibility of a resurrected Soviet Union under Russian hegemony was in the Western interest. Security cooperation with Ukraine was, however, unsettled by possible Russian reservations. Putin's clear Western orientation opened new possibilities for Ukraine to distinctly orient itself westward. Ukraine wants to make maximum use of this room for maneuver. Since the spring of 2002, it has openly declared its intention to become a member of NATO and the EU. Both advances are based less on internal changes than on the foreign policy freedom that September 11 provided. Even if Ukraine officially is very much orientated toward strengthening Western cooperation and integration, internal weakness makes its foreign policy contradictory. One of the most serious Ukrainian security risks is the strong suspicion that it is selling the Kolchuga early-warning radar system to Saddam Hussein, documented by tapes from the Ukrainian president's office. In addition to all its internal problems, Ukraine's moves have put considerable pressure on the Western decision-makers. They are challenged to balance their own security interests between managing risks that come from Ukraine and cooperating with the country. Because of its internal instability, Ukraine is another example of the double role of threat factor and security partner.

Innovations in security cooperation ought to answer the question of how Western actors establish relations with states that are both cooperation partners and risk factors. In light of American military dominance in the fight against terrorism, the importance of the Western security alliances has come into question. The current state of affairs, to say nothing of integrating Russia and Ukraine, requires institutional reforms, which have to go beyond creating new institutions with familiar competencies and capacities. Furthermore, simply excluding the neighboring countries, as will happen at the Prague NATO summit in November 2002, is only a short-term solution.

Regional Security Structures and Initiatives in Southeastern Europe

Paradoxically, the most successful area of regional cooperation with a real dimension of regional ownership concerns security issues. Under the Third Working Table of the Stability Pact, in combination with SEECP, a wide range of hard-security issues have been regionalised, as Adrian Pop's strategy report on security demonstrates. These include demilitarization, joint peacekeeping operations, and the reduction of small arms and light weapons.

Conversely, factors that were initially overshadowed by the predominant concern with ethnic conflict have now come to the fore on the international agenda. In the aftermath of September 11th, the fight against organized crime, corruption, terrorism and trafficking has gained a new urgency. Whereas the Stability Pact's initial Quick Start Package defined corruption and organized crime as a priority, but failed to initiate substantive programs, recently no regional organization or international declaration fails to mention anti-corruption and the fight against organized crime as its key concern. Although this new priority provides a new link between the agendas of stabilization and integration, rhetoric from both the international community and the regional actors predominates over action. The strategy report on security has identified 51 regional and sub-regional anti-corruption projects alone. Many regional cooperation organizations have felt compelled to add these issues to their agendas without engaging in relevant activities.

In weak states these systemic soft-security risks arising from the symbiosis between politics, crime and economics become key issues and require international assistance, if only because the concern itself originates from the international community. Eventually, the issues of Justice and Home Affairs, including fighting crime as well as border and visa regimes, will become part of the integration agenda as genuine EU issues. Because of European self-interest in coping with these issues in the Balkans, JHA is often mentioned as a possible area for virtual or partial integration in the EU. Thus, the Stability Pact Task Force for the Co-ordination and Development of Border Management in Southeastern Europe has accepted the relevant EU and Schengen regulations as the basis of the reform process. The disproportionate costs of border management within the region, the recognition that the sources of trafficking are generally outside the region, and the inclusion of the region into a wider Schengen area all have a certain appeal in resolving the inherent contradiction between regionalization and security dimensions of integration. Functional forms of cooperation within the region, as well as between the region and the EU are perfectly feasible and advisable, but should be dissociated from any illusions of unconditional shortcuts to EU membership.

(C) Frozen Conflicts and Status Issues

Eastern Europe's Regional Conflicts and Weak Institutions

Without doubt, Russia's president has taken a clear stand after September 11. By consistently pursuing this approach, Russia and the other neighboring states could become part of a Western security alliance. This notion is, however, currently opposed by many risks emanating from these states. The list of potential conflicts is long and includes Abkhazia, Nagorno-Karabakh, the Crimea, Kaliningrad and Chechnya. Not all of these conflicts have reached the threat of military escalation. Nevertheless, lasting mechanisms to settle them have not yet been found. Given that Russia's external borders with the other successor states of the

Soviet Union are not, by Western standards, safeguarded and demarcated, they are permeable to all kinds of security problems. Consequently, the western part of the former Soviet Union is an attractive region for legal and illegal immigration from Central Asia and Afghanistan. Instability and poverty offer an optimal breeding ground for illegal migration and the smuggling of drugs, nuclear material and arms.

The volume *Risks and Challenges Beyond EU Enlargement* contains surveys on the hotspots of Kaliningrad and Transnistria, which are representative of regional conflicts in the post-Soviet space. Both conflicts illustrate the mixture of unsettled status questions, dormant security threats, and economic aspects. Both regions were home to extensive military bases of the former Soviet Union. Despite threats to the contrary, nuclear weapons are no longer deployed in Kaliningrad. Nevertheless, the Baltic Fleet is still stationed there, with approximately 25,000 troops in the Kaliningrad *oblast*. At the 1999 OSCE Summit in Istanbul the decision was made to withdraw all Russian troops and weapons from Moldova by the end of 2002. When the Transnistrian leadership demanded compensation for the return of weapons that were "their property," the question gained economic, in addition to military, dimensions. Despite all the difficulties, and under pressure to negotiate from the OSCE, the process was initiated. Given the obvious problems it should not be assumed that the Istanbul OSCE agreements will be completely fulfilled within the period stipulated. Moreover, Moldovan and Transnistrian troops who are not part of the Istanbul stipulations are stationed in Transnistria. The same holds true for the Russian, Moldovan and Transnistrian members of the peacekeeping contingent stationed in the area. Thus neither Kaliningrad nor Transnistria can be called demilitarized. The risk reports, however, do not assume an acute military threat. Rather, the economic backwardness is alarming, particularly because it is combined with administrative weakness and the resulting high extent of corruption and illegal economic activities, including transnational crime and illegal migration. Insufficiently controlled arsenals can thus easily become the center of economic interests and cause a security risk for the West.

The unsettled status questions pose another basic problem. Transnistria, Chechnya, Abkhazia and Nagorno-Karabakh are self-declared states that emerged from the ethnic heritage of the Soviet Union and have tried to obtain their regional autonomy by violence. The Kaliningrad issue is not about any demands for autonomy, but about the consequences of NATO and, especially, EU enlargement. With Poland and Lithuania joining the Western alliances, Kaliningrad will become a Russian exclave within the Western structures. The unresolved question of entry of persons and goods to, and exit from, Kaliningrad has, meanwhile, gained priority on the European-Russian agenda. Consensus, however, has not been reached. European and Russian interests in Kaliningrad are diametrically opposed and burden the entire relationship, a situation which again became clear during the EU-Russia summit in May 2002. The Russian negotiating position is aimed at maintaining visa-free travel. On the other side, the European Union refuses to make exceptions to the Schengen regulations. Accession candidates Poland and Lithuania have already decided to introduce travel visas for their eastern neighbors from July 1, 2003, a decision that has both administrative and political consequences. In order to maintain the current amount of travel, consular sections in Kaliningrad would have to be opened and Russian passports to be issued early. However, as long as the topic is highly politicized, this will not happen. Moscow, for example, has more than once expressed reservations about a German consulate in Kaliningrad. The visa question is intimately related to questions about the status of Kaliningrad. Russia would have to give up Kaliningrad as a bargaining chip, accept that the region will become an exclave within the European Union, and make use of this fact for economic cooperation. The transit questions could be resolved with administrative and

technical regulations. Yet as long as some Russian elites continue to consider the region a strategic pillar against the West, such a solution is hardly imaginable.

The second delicate topic is the economic situation of Kaliningrad. Because the region has structural weaknesses, was long cut off from external contacts and is now even isolated from the Russian motherland, it is one of the least developed regions in the Russian Federation. The gross domestic product in the Kaliningrad *oblast* is 25 percent below the Russian average. In 2000, the average monthly income in Kaliningrad was \$55.40 compared with \$64.30 in Russia as a whole. The region has a negative image due to the exceptionally high degree of corruption, weak regional administration and the often overly bureaucratic and altogether insufficient border controls, which have, for example, contributed to the rapid spread of infectious diseases including AIDS. Similar to Transdniestria, many of these regional problems are rooted in the unsettled border and access questions.

These examples show how two factors determine the explosive nature of potential and existing trouble spots in post-Soviet territory: (1) regional problems, which often result from the economic and ethnic heritage of the collapsing superpower; (2) insufficient institutional capabilities for shaping a generally accepted conflict resolution.

The more these factors shape the respective regional conflict, the more explosive the situation will be. Even though the risks are, at first, concentrated in the region, they can have a direct impact on the West. The reasons are permeable borders, administrations that are far from the ideal of a modern administration in Max Weber's sense, unsettled ethnic and territorial questions inherited from the Soviet Union, as well as corruption and organized crime. Non-demarcated and mostly uncontrolled borders such as the one between Russia and Ukraine are a fertile breeding ground for illegal migration, cross-border crime, drug trafficking and smuggling. As the collapsing Soviet empire reaches to the borders of Afghanistan, there is direct contact with the risks of Islamic fundamentalism. Arms or drug trafficking and conflicts spilling over to the neighboring regions are a latent threat. Given the institutional weakness, not only can risks not be stopped at the border, but their extent is also difficult to determine. In the autumn of 2001, Belarus hit the headlines when it sold weapons to rogue states, such as Iraq. In economically weak Belarus, which is tormented by transition problems, dealing with the material remains of the Soviet army has become a profitable business. The weakly developed checks and balances and President Lukashenko's authoritarian attitude worsen the situation. In Ukraine, too, state actors have turned into security risk on different levels. American-Ukrainian relations have been in the most serious crisis since Ukrainian independence because of a secret tape-recording of president Kuchma from July 2000, apparently authorizing the sale of the Kolchuga early-warning radar system to Iraq. The downing in October 2001 of a passenger aircraft coming from Israel over the Black Sea during Ukrainian army maneuvers is a sign of weak command and control. All too typical was the unforthcoming approach state agencies took in dealing with the tragedy.

Russia, Ukraine, Belarus and Moldova have to go a long way to become security partners with the same level of development as EU member states. As a result, the West must inevitably aim at developing a security policy partnership based on asymmetries. Additionally, options for cooperating in managing crises need to be developed.

Status Issues and Robust Mediation in Southeastern Europe

As the 1990s amply demonstrated, stability in the western Balkans depends on external interference. An absolute priority for the principle of national self-determination would produce neither stability and human security nor functioning states. The conflicting projects of nation and state building far exceed regional capacities for constructive conflict resolution. Eventually, however, without regional actors shouldering responsibility for negotiated

arrangements on issues of statehood and sovereignty, no sustainable stabilization will be possible. Recent cases of international military intervention and diplomatic mediation, however, have also demonstrated that interference tends to produce more interference, and the need for more interference, rather than the reverse. In reflecting on this dilemma of unintended consequences the strategic options preferred by the authors of *Southeastern Europe: Weak States and Strong International Support* range from more strong-armed intervention to a minimization of external guidance. The EU's self-imposed agenda and time frame of integration creates expectations, covetousness and counter-strategies, producing anything but a stable region of functioning states. The Tetovo crisis in Macedonia, the Belgrade Agreement between Serbia and Montenegro, the fuzzy sovereignty over Kosovo and the revising of the Dayton Agreement are all cases in point.

The prospects for integration opened after the 1999 Kosovo War define the security-related opportunities and risks. The weakness of states and state-like entities is all the more pronounced because of the massive and intensive interference. The "stability dilemma," is the principle that the EU cannot afford to let conditionality exclude a state or entity from the long-term integration process. Thus, as an alternative complying with conditionality, the causing instability may be a way to access European guidance and assistance, making states' functionality the key issue. Functionality has an external dimension, the capability to respect international obligations, and an internal dimension, the capability to provide human security for all inhabitants. Non-functioning states induce the international community to dictate arrangements of doubtful sustainability and to engage in long-term conflict containment both between and within states and entities.

As an unintended consequence, responsibility for regional and domestic stability is taken off the shoulders of local elites. Sometimes a propensity to produce instability even becomes an asset in their bargaining with the international community. Paradoxically, state functionality becomes an effect of international interference, particularly in the quasi-protectorates of Kosovo, Bosnia-Herzegovina and, to some extent, Macedonia. Whereas the unresolved issues of sovereignty status produce uncertainty and instability, responsible and functioning states or entities are a precondition for a sustainable status arrangement. In sum, the dilemmas of security in Southeastern Europe stem from, on one hand, the establishment of instability and irresponsiveness as an alternative strategy for parts of the local elites and, on the other, the absence of medium-term exit strategies from the international, and increasingly European agenda, of stabilization and crisis management.

In August 2001, international mediation led by European countries brokered the Ohrid Agreement to prevent escalating inter-ethnic conflict. The agreement used prospects of EU membership and concrete assistance under the SAA from April 2001 and the Stability Pact as an offer no Macedonian politician could refuse. A classical role for the EU as mediator is to take the blame for certain unpopular compromises in domestic debate. In the Macedonian case, however, the EU's key interest in stabilizing the "textbook example" of a multiethnic state in the region gave both the rebels and the authorities *carte blanche* to let nationalist rhetoric and provocation run wild. Knowing they could not beat the even utterly inadequate Macedonian army in the field, the rebels banked on international intervention to force the authorities to negotiate. The authorities in turn fielded the army, provoking more ethnic confrontation and hatred, because they knew that the international community would step in to save the unity of the state. What rebels and authorities seemed to have in common was a limited concern for the fate of the state and its reform. Some key actors on both sides seemed to prefer a weak state with some territorial gray zones for profitable economic dealings and state capture by dubious business interests. Thus, international crisis management in this small and weak state faces formidable enemies: politicians with a preference for politicking over reform, and with a preference for a state that is weak in its ability to function

domestically and internationally, but strong in national and ethnic claims. More than one year after the Ohrid Agreement was signed, implementation is still characterized by recurring incidents of violence and political foot-dragging. It requires robust international mediation time and again. The priority of the stabilization agenda backfired by subordinating the instruments of the integration agenda. This is illustrated most dramatically by the tactical decision to grant Macedonia the first SAA without ensuring that Macedonian politics reflected the multiethnic character of society by more than just having a bi-national government coalition.

EU High Representative Javier Solana's robust mediation in reconstituting the Serbian-Montenegrin federation has also been highly controversial, as the March 2002 Belgrade Agreement squelched the move of authorities in Podgorica towards a unilateral referendum on independence. Again, this move completely ignored domestic and regional stability as a concern. The population was and is split almost evenly on the issue of independence. Solana's mediation was an attempt to break the logic of state fragmentation, as a possible precedent for Kosovo or Republika Srpska. It was also an effort to push the national agenda of sovereignty to the political background for the next three years, in hopes that the reform agenda might gain momentum in the meantime. Solana was proven right by local opinion polls as well as by political reactions to the agreement. As stated in the Montenegro Country Report, the key concerns of almost all Montenegrins are socio-economic issues ranging from unemployment to economic reform, and not national independence or federal restructuring. The local elections, which were marked by continuity rather than fluctuations, demonstrated the relative indifference of the electorate. Conversely, for politicians in Podgorica independence seemed to be the one and only decisive—and divisive—issue, until the Belgrade Agreement. With one eye on the polls and one eye on international mediators, politicians began to reposition themselves in a domestic power struggle. In the end, some of the groupings included strange bedfellows with diehard federalists joining radical champions of independence. Although negotiations on implementing the agreement were far more constructive and responsive than in Macedonia, the issues of state and nation are still blocking reform in Serbia and Montenegro alike. For nationalist politicians these mediated compromises are too good a chance to mobilize their constituency, whereas even reformers cannot afford to alienate such large segments of the electorate. Again, the international mediators, under pressure in their own institutions to accelerate the process of stabilization and to move on to transformation, regionalization and integration, are constantly tempted to twist arms to advance the negotiations.

As the Serbia country report emphasizes, the diverging concepts of state and nation—the ethno-national concept with its focus on history and Serb minorities versus the civic concept of European integration and reform—have produced a deadlock. The elites tend to shun a clear-cut choice and manage to muddle through without rearranging responsibilities and resources among federal, national and local authorities or among political, economic and military/police centers of power. Overall, politicians who are willing to tackle much-needed decentralization and institutional reorganization tend to lose out to those who uphold the unrealizable chimera of a Yugoslav federation, while snubbing both the necessary decentralization of the Serbian state and its multiethnicity, with corresponding minority rights. Typically, some Belgrade politicians called for a full boycott of the local elections in Kosovo, while others advised local Serbs to vote only in municipalities where they constitute a majority. In the end, the Belgrade politicians who supported the international strategy of integrating the Serb minority via the ballot box came off worst. Nevertheless, no one can deny that regional and European integration constitutes an obligatory framework and window of opportunity for the future of Serbia.

Kosovo is another example of the unequal fight between producers of stability and the producers of instability. KFOR has been criticized for failing to provide human security to the ethnic minorities living in mainly Serb enclaves in the 90 percent Albanian entity of Kosovo. It has also drawn criticism for preventing the Serbs from taking control of the Mitrovica region and the Kosovars from instigating ethnic violence in adjacent territories such as the Tetovo region or Preshevo Valley. This is dubbed “domino logic” in the strategy report on security. Without the political will and support of the local leaders, this is certainly an impossible mission. With other international agendas implying that the the military presence in the region will be scaled down, the actual tasks require enhanced presence. Resolving the Mitrovica issue and the execution of ICTY indictments against former KLA commanders might even jeopardize the current level of stability. The international agenda of “benchmarks before status,” and the success of the moderates in the November 2001 elections put pressure on local leaders to comply with standards of good governance and responsible rule, but also risks retaliation from radical groupings unwilling to postpone the issue of independence. Again, some leaders have more of a stake in fuzzy and weak statehood than in the consolidation of a functioning but non-sovereign state for the entity. The Serbia country report analyzes the rationale of the unconstructive or even obstructionist attitude of some elites in Mitrovica and Belgrade. The low Serbian turnout in the November 2002 elections is related to calls for a boycott by local leaders, Vojislav Seselj and President Kostunica. Thus, Representative of the Secretary General Michael Steiner’s strategy of integrating the Serbian minority via elections and decentralization is in trouble. Belgrade has failed to produce a clear strategy for Kosovo, and some politicians even support the parallel administrative and security structures in Mitrovica as a trump card. Consequently, the burden of handling the status issue remains with the international community, with no regional ownership in sight.

Whereas in Kosovo only three years have passed since the end of the war, in Bosnia-Herzegovina seven years have passed under international civil and military rule. To some extent, the current *status quo* in Bosnia may be seen as a premonition of the future of Kosovo and the strategic dilemmas for the international community. The lead agenda of the Dayton Agreement was stabilization and an end to the atrocities of ethnic warfare, rather than workable groundwork for a functioning state. Meanwhile a reasonable level of human security has been achieved by segregation in entities rather than re-integration and reconciliation. The regional problem of refugees and internally displaced persons, mainly in the triangle Bosnia-Serbia-Croatia, remains a destabilizing factor and has defied the models of the international community. Rather than re-create a multiethnic community, most refugees have either refused to return or sold their restituted properties instead. Although the role of SFOR is decreasing, the current UNHR’s ambition to be the last High Representative and to move from an exit strategy for stabilization to an entry strategy for integration seems optimistic. So far each UNHR has succumbed to the “initiative infection” and ruled by decree to move reforms forward without risking stability. The conditionality of the EU integration process and the SAA, however, cannot be squared with UNHR and SFOR as preconditions for basic stability and functionality in a state.

3. Transformation Toward Democracy and a Market Economy

The individual country reports in these volumes illustrate problems and challenges of the coming transformation. The state of development and the potential for political, economic, and societal transformation vary widely both within and between the eastern and southeastern neighboring regions. The prime distinction between the two regions, however, concerns the

urgency, intensity and size of external guidance and assistance for Southeastern Europe. Russia, Ukraine, Moldova and Belarus are in many respects left to their own devices with some expert guidance and technical assistance. But then again, whereas the elites in Southeastern Europe have no option but to join the European agenda of association and regionalization for the Balkans, in Moldova, Ukraine, Russia and Belarus reform direction and stamina depend largely on national authorities.

- (A) A key problem shared by eastern and southeastern neighbors alike is the weakness of state authorities and institutions compared with external partners. The delay of reform in the past decade raises the issue of input versus output legitimacy in almost every country. Democratic elections have become the rule. Unlike populist or authoritarian regimes, however, decision-makers who seriously tackle the reforms of transition can be sure of being voted out of office at the next elections. For the electorate the hardships of reform come before the benefits of economic growth and a functioning state. A substantial societal basis for reform is missing in each of these countries.
- (B) The typical process of economic transition thus often means glaring disparities, combining poverty and frustration for the large population with growth of the national economy and prosperity for a small *nomenklatura* and creating oligarchies with strong political influence. Whereas these economic characteristics are shared by both neighborhoods, the Western agenda of regionalization (free-trade zones and economies of scale) is typical for the enclave of the western Balkans. Additionally, the destructive ethnic conflict in the 1990s has long obscured the fact that post-conflict reconstruction of economic infrastructure is only a first step in a much more arduous process of economic development.
- (C) The development of a civil society has also been long seen as the solution to the dilemma of democratization in post-authoritarian states. Civil-society activity in Eastern Europe highlights street protests against governments and politicians, and sustainable difficulties of formulating and implanting constructive positions. The authorities, conversely, struggle to control the instruments of civil society such as free media. This control is exercised with harsh measures, if need be, or through attempts to create a “civil society” from above. Dependence on international assistance has strictly reduced this state reaction in Southeastern Europe. Civil society in the form of internationally funded NGOs, however, has often produced an intransparent amalgamate of state interest, international agendas and local pressure groups.

(A) Democratic Elites and Good Governance

Eastern Europe's Defective Democracies

For various reasons all four neighboring states to the EU's east were ranked as only “partly free” in the annual Freedom House ranking. With the exception of Belarus, elections that mostly meet OSCE criteria on free and fair elections are held in those states that are future direct neighbors of the enlarged European Union. General elections were held on February 25, 2001 in Moldova and on March 31, 2002 in Ukraine. Presidential elections were held on September 9, 2001 in Belarus. The Belarusian opposition tried to use the elections to improve its strength and overthrow the autocrat Lukashenko. The opposition's weakness was shown when it put up only one candidate against Lukashenko. This problem had already become visible in the 2000 parliamentary elections, in which the opposition had called a boycott. The example of Serbia, however, shows that removing an autocratic ruler through elections is

possible. The Belarusian opposition, ultimately, also managed to agree on Vladimir Goncharik as representative of the democratic opposition. For various reasons, however, Lukashenko won a landslide victory, with 76 percent of the votes, whereas Goncharik could only claim 16 percent. The OSCE election observation mission does not believe that major electoral infractions were committed. Lukashenko's massive control over all state, societal and economic aspects of the country had much more impact. Such an environment does not offer good conditions for a democratic opposition. The media express and, at the same time, actively influence Lukashenko's strong position. Most of the media are state-owned. Russian television, a few broadcasting stations and independent newspapers, which are, however, handicapped by financial and administrative conditions imposed by the state, are exceptions. The electoral campaign was shaped by the dominance of the state-owned media. An OSCE survey prior to the elections revealed that 21 percent of the electoral reporting was dedicated to the president and 25 percent to Lukashenko in his role as candidate. In contrast, only 29 percent of reporting dealt with Goncharik.

According to international observers, general elections in Ukraine were also free and fair. Yet ultimately, President Kuchma managed to secure a majority in parliament. This was mainly due to the difference between the party list votes and the directly elected representatives. In the party list vote, "Nasha Ukraina" ("Our Ukraine"), the bloc led by Yushchenko, won 23.5 percent of the votes, and Kuchma's party "Za Yedynu" ("For a Unified Ukraine") won 11.8 percent. By contrast, 66 direct mandates went to "Za Yedynu" and only 42 to "Nasha Ukraina." The divergence between first and second vote gives reasons to assume indirect and direct pressure over the state executive. Together with the so-called independent candidates, most of whom supported Kuchma after the elections, this has resulted in a majority for the president.

General elections in Moldova gave proof of the political instabilities and conflicting interests in the country. In July 2000, parliament had amended the constitution so that the president was no longer elected directly but rather by parliament. Because the parliament could not agree on a single candidate, it was dissolved and new elections had to be held. These elections were also considered "free and fair." The Communist Party won by capturing 71 of 101 seats, and elected its chairman Vladimir Varonin as the country's new president.

Elections in Ukraine, Belarus and Moldova showed similar post-Soviet characteristics, in that they were less about different party programs than about the power of particular persons and interest groups. With the exception of the Communist party, the political parties in these countries are instruments of power for one actor, and their institutional life is short. Even though elections predominantly rated as free and fair were established in all of these states, they have only limited influence on the actual distribution of power. Interest groups and individual actors are simply too influential. Their power is made up of coalitions of special interests. Economic, regional and political special interests are working together in varying proportions. President Putin's election was a convincing example of how a newcomer to the political arena can be built up, with the support of interest groups, and elected president with a great majority. As long as the legitimization of political power depends more on special interests than on public opinion, government action is hardly transparent and democratic.

In all of the states in question, corruption is more or less strongly developed. According to the Corruption Perception Index released annually by Transparency International, Ukraine ranked 83rd and Russia 79th in an international comparison of 91 states in 2001. (The higher the ranking, the more corrupt a given country was thought to be.) One of the most prominent corruption cases is that of former Ukrainian Prime Minister Pavlo Lazarenko. He misused his political power for economic enrichment, was involved in political assassinations and finally fled first to Switzerland, then to the US. Reasons for such far-reaching corruption abound and

simultaneously demonstrate the weakness of the state. A hoped-for breakthrough has, to date, not occurred.

As, in particular, Timofei Bordachev shows in the Russian country report, the lack of good governance hinders not only internal reforms but also external relations, especially with the European Union. Foreign ministries, and also other ministries and the presidential administration, lack knowledge about the methods and activities of the European Union. This is partly a result of the fact that Russia, for example, is not at all interested in accession to the EU. Consequently, policies are restricted to individual fields of cooperation. The lack of understanding about the EU is also an inheritance of the Soviet past. The European Community was considered the equivalent of Comecon. According to this perception, the functioning of the EU was simply economic integration dominated by individual states. This understanding did not change until the second half of the 1990s. Putin understands the EU not just as a community merely concerned with economic integration but also as a political and security union. In Ukraine and Moldova, interest in the EU grew with the perspective of possible membership. Yet even in these cases, detailed knowledge about the functioning of the European Union is missing, not least due to the restrictive information policy of the EU itself. There is no EU representation at all in the Moldovan capital Chisinau, for example. Moreover, Russia, Ukraine, Moldova and Belarus need political actors who know about European integration and who have extensive contacts with European decision-makers at their disposal.

Political reforms are still far from enabling public administrations to function as they do in Western democracies. Modern administrations with democratic distribution of power as well as suitable elites are needed. However, these problems should not hide the fact that progress has also been made in the last year. One important breakthrough was the adoption of the new Russian tax law. Income tax was set at a flat rate of 13 percent, social security contributions were standardized and decreased, and the tax on profits was lowered from 35 percent to 24 percent. Another success was the adoption of the pension reform on January 1, 2002. Until then, pensions had almost exclusively been based on the income earned immediately prior to retirement. The new pension system has three levels: a state-guaranteed minimum pension for all, an additional pension, also paid by the state and determined by the duration of employment, and optional, private pensions, covered by contributions made by both the employer and the employee. Furthermore, Putin has made additional efforts to recentralize Russia by enacting a change in the composition of the second chamber of parliament. The Federation Council is now no longer composed of the governors but by specially nominated deputies. Thus the governors have lost their parliamentary immunity, and it has become more difficult for them to form networks with their colleagues from other administrative areas.

In Ukraine, the adoption of a new land law helped to bring about an important reform. Belarus and Moldova have not managed to make similar progress. As Alla Skvortova explains in her country analysis of Moldova, Varonin's presidency is perceived as a step backward toward an "authoritarian regime." Although Varonin succeeded in improving institutional stability and stopping the frequent changes of government, all in all this has not led to the political stabilization of the country. Instead, old conflicts have broken out again. Varonin's attempt at finally settling the status question with the autonomous Republic of Transdniestria led to new conflicts and has, for the time being, also put an end to the communication between both parties. The decision of the government to reintroduce Russian as a language for school instruction resulted in protests and demands for resignation. Like his predecessors, Varonin has not followed a clear reform course, but has wavered between reform and stagnation, between integration into the CIS and a westward orientation.

In political transformation a general tension between formal and informal progress in reform has become manifest. As described in Douglass North's institutional economy, society can

only change if formal factors are linked with informal ones. Adopting reform-oriented laws is thus certainly an important step forward for further reforms, but it does not guarantee success. Efficient institutions that are interested in, and capable of, implementing the laws in practice, controlling their implementation and sanctioning possible disobedience, are required. Moreover, regulation must also be accepted by society. If these factors do not coincide, the effect of formal changes will remain relatively limited.

Southeast Europe's Post-Conflict Democracies

The international prescriptions for democratic and accountable government have moved from input criteria of free and fair elections to output criteria of institution building and good governance. Integration is very relevant in this context, because the strengthening of governance practice and administrative institutions is a condition for accession and adopting the *acquis*.

The international preference for civil society implies that NGOs may have better human, knowledge and technical resources than governments and bureaucracies. Many surveys indicate that all governments in the region struggle to uphold continuity and institutional memory in the state administration, because ambitious and highly-qualified professionals tend to move on international business or international NGOs. The administration may also be unintentionally weakened by NGOs that substitute for state services, for example in social policy. The fight against corruption—and against the whole moloch of organized crime, trafficking and terrorism—is a typical example of an externally induced policy agenda. In sum, the externally imposed reform agenda forces governments to heed the advice of international organizations and domestic NGOs rather than democratic representative institutions. External guidance structurally induces undemocratic modes of policy-making and neglects issues of democratic legitimacy. As the Kosovo and Bosnia country reports indicate, these two are the extreme cases of external guidance and international administration.

Thus far, regional ownership and accountability have taken second place to external guidance of the stabilization, transformation and integration processes. The SEECP is a first option to increase regional ownership in setting the agenda and prioritizing assistance. Real ownership remains in the hands of the European Commission and the IFIs.

(B) Economic Transition and Development

Growth and Poverty in Eastern Europe

The trend of economic growth that emerged in 2000 persisted in 2001. Economic growth was approximately 4 percent in Russia, and 2 percent in Ukraine and Belarus. Thus, real GDP growth was in a similar range as in advanced accession countries like Poland or the Baltic states. Only in Moldova did the trend turn out negative, with –1.5 percent. In 2001, GDP per capita was \$2,500 in Moldova, \$3,850 in Ukraine, \$7,500 in Belarus and \$7,700 in Russia. These figures require an explanation more urgently because these states are often considered failures of economic reform.

The end of the economic decline coincided with the collapse of the Russian financial markets at the end of August 1998. Economic growth is, therefore, partly explained by the resulting devaluation of the ruble. Another external factor was the rise of prices on world energy markets. These external factors, however, do not sufficiently explain the sustainability of the growth. The country reports also illustrate that individual reform breakthroughs have

occurred. After six years of negotiations, Moldova joined the WTO in June 2001. Its acceptance signaled that the country will adhere to international free-trade regulations. Yet one has to consider that in the first half of 2001 more than 40 percent of Moldovan external trade was carried out with CIS countries, and only a relatively small amount with Western partners. Another step toward reform made by Moldova was the adoption of a privatization program for the wine and tobacco industry in July 2001. Key companies of the Moldovan economy are being privatized. A breakthrough was also achieved in Ukraine in April 2001 when six power stations were sold to strategic partners. The adoption of a land law was another success. Liberalization of the tax system and social security services were economic successes for reform in Russia. Individual successes were also achieved in privatization and restructuring, such as the administrative reorganization of the Russian railway system. Comprehensive changes in the Russian economy, on the other hand, did not take place.

According to the European Bank for Reconstruction and Development (EBRD), Belarus is challenged with a long list of reforms. These range from basic market liberalization through de-bureaucratization to the fact that economic growth can, in the medium term, only be achieved under free competition in a private market. Although important progress was made in Moldova, a clear course in economic policy is often absent. When the country joined the WTO, the parliament, for example, adopted a resolution against globalization. In addition to taking a clear course, consistently pursuing privatization is equally important for the further development. Another fundamental problem is poverty. With an annual per capita GDP of approximately \$400, Moldova is the poorest country in Europe, according to the European Union. Official data show that the average monthly income is \$38; the basket of goods required for survival, however, costs \$89. Based on these figures, 80 percent of the population in Moldova lives below the officially defined poverty line.

For its future reforms, Ukraine can follow up on progress made previously. Given the numerous conflicting interests, adopting a tax reform and reforming both the banking sector and the telecommunications market are as difficult as they are important. Reforming the banking sector also remains one of the biggest challenges in Russia. In all four countries the political and economic structures are still, to varying degrees, too strongly intertwined to guarantee a system of checks and balances. As a result, corruption is a widespread problem. The redistribution of economic interests lacks transparency and is often accompanied by illegal practices. The countries are at the bottom of Transparency International's Corruption Perception Index.

All in all, economic development in Russia and Ukraine gives reason for limited optimism. The growth trend that has existed since the Russian economic and financial crisis of 1998 has been continued. The implementation of reforms in the tax code, land law and social security systems, as well as the continuation of strategically important privatization projects are all key successes. Even under the zigzagging Moldovan economic policy a few milestones, such as acceptance into the WTO, were reached. Only Belarus under Lukashenko clings to the structures of a Soviet-style command economy.

Despite all the necessary and justified criticism, progress in reforms must be acknowledged. No longer can all post-Soviet states be simply termed economic disasters. Rather, development demands that progress and problems both be evaluated carefully. Compared with political and societal transformation, economic development is making greater progress. Correspondingly, in the future the interaction between the different fields ought to be taken into consideration more than it has been previously. According to Huntington's research on modernization theory, the transition to a democratic society is most probable if per capita annual income is in the range of \$1,000 to \$3,000. Economic growth can, over the medium term, be continued only under the conditions of good governance. Governments must develop mechanisms for effectively dealing with capital profits. This requires efficient tax systems.

External influences are also decisive. Because of the continuing EU enlargement, new dividing lines are looming if the EU's future neighbor states cannot be integrated into the Western mainstream.

Regionality and Reconstruction in Southeastern Europe

European policies for the economies of Southeastern Europe have been determined by various, partly conflicting agendas. For a long time, at least until Dayton and in many respects until the instigation of the Stability Pact, economic policies were dominated by the agenda of stabilization. In contrast to East Central Europe, assistance gave preference to humanitarian aid, *ad hoc* crisis response and reconstruction. If it dealt with transition, the assistance was by far too small to produce any sustainable results, let alone a takeoff in economic development. The regional approach from 1996 was hardly implemented; Phare and Obnova provided only minimal assistance. The illusion of "reconstruction," with the largest share assistance going to infrastructure after the Kosovo War, illustrated the preference for one-dimensional models, ignoring the structural problems that require sophisticated and long-term approaches.

In recent years, the density and intensity of international assistance has produced inefficiency and unintended consequences. Indigenous weaknesses, particularly low absorption capacity, combined with the inadequacies of international assistance policies have produced aid dependence rather than sustainable economic growth. Even after ten years of reform, backsliding and macroeconomic instabilities are rampant throughout the region. The systemic inadequacies of international assistance relate to a lack of donor coordination, contradictory prescriptions on reform, strategic rigidity and slow implementation. More importantly, many donors fail to provide criteria for critical review of aid's effectiveness. They also neglect incentives for enhanced results or countermeasures to prevent misappropriation of funds by local elites. Externally inspired reform agendas tend to detach local political actors from responsibility for economic reform.

The agenda of regionalization is at odds with the economic heterogeneity of the region, which not only proved fatal for the Yugoslav Federation, but also troubles Western policy-makers a decade later. Bosnia, for example, has received the highest per capita assistance and has generated the lowest FDI per capita. Conversely, Croatia started from better preconditions and has taken the lead in FDI per capita in the region, although at a much lower level than in East Central Europe, almost without international assistance. Enhanced regional economic cooperation would fit an agenda of stabilization and have some added value for transformation too, but the EU has become the hegemonial trade partner of almost all countries in the region, as the strategy report on economics demonstrates. The recent initiative for bilateral free trade agreements within the region could only be pushed with the support from the long-term perspective of integration in the European common market.

The new agenda of integration under the SAp provides concrete economic incentives and assistance in the form of the Stabilization and Association Agreement, CARDS, asymmetric trade liberalization and macroeconomic assistance. While more attractive than regionalization, with its competing institution of the Stability Pact, EU integration is no panacea for structural problems and equally prone to unintended consequences. These stem from asymmetries within the region as well as between the region and the European Union. Although conditionality and well-defined reform benchmarks provide needed guidance, the economic heterogeneity of the region tends to defy all plans for regional cooperation and threatens to create a "new Balkans" consisting of countries and entities unable to meet the entry criteria for the SAp. For them an "SAA-Minus" will have to be devised, because the agenda of integration forbids "drop-outs" in the region.

To prevent the development gap between present EU members and future newcomers from broadening, new mechanisms will probably need to be devised to help development efforts in Southeastern Europe. Whereas the problem has been explicitly addressed by the EU for countries such as Bulgaria and Romania through the measures in Agenda 2000, as well as through funding provided by the EIB, much less has been done for the other five SEE countries. Once the present candidates in East Central Europe join the EU, they will receive more financial assistance than the SEE countries, which will further enlarge the development gap. Because SEE countries may receive less EU assistance after 2005, this could also lead to widening the gap if EU policies are not changed to give more help to their development efforts.

Current accession requirements of EU conditionality are actually quite unsuited to the development needs and objectives of SEE countries. The EU accession process is based on the model for previous EU enlargements, rather than designed specifically to assist and encourage transition economies. As a result, the structure of incentives and constraints that it imposes on economic and regulatory policies may be inappropriate for countries facing acute development and/or reconstruction problems.

It continues to be assumed that accession and transition require the same policies, which obviously is not necessarily the case. Given the long term horizon for EU membership of most SEE countries, it would be more useful to adopt criteria designed specifically to assist development and transition efforts, rather than insisting on criteria which are only likely to become important at a latter stage, at the moment of EU accession. It may be preferable that Southeastern European countries devote their scarce resources to reforms and development, rather than to harmonizing laws with EU legislation. To transform SEE into an economically prosperous region, future international assistance programs must be designed to contribute much more to self-sustainable growth and reduce unintended consequences. This should speed up the processes of recovery, economic transition, and integration of SEE countries with the rest of Europe.

(C) Civil Society

Eastern Europe's "State-Organized" Societies

Russia's history has shown more than once the truth of the theory that its society takes place "under the auspices of the state." The dominance of the executive and the non-existent articulation of interests by society are phenomena of post-Soviet states. They are both major blockades to reforms.

There are numerous possibilities for breaking up this blockade. Individuals' interest in and opportunities for social engagement make up one central factor. This scope for action is also defined by societal position. Transformation has led to massive social setbacks. According to official data, at the beginning of the year 2000, in Russia 40 percent, in Ukraine 50 percent, in Belarus 22 percent and in Moldova 75 percent of the population lived below the official poverty line. These figures may be distorted because they do not, for example, take additional income from second or third jobs into account. Nevertheless, they cannot hide the fact that poverty, particularly outside the cities, is a serious problem. The life expectancy of the average Russian has rapidly sunk since 1988 from 70 to 65 years, which is a disturbing indicator. The demographic decline has already given cause to worry that Russia is dying out. The Soviet population had the experience that social engagement was not worth the trouble and could, in the worst case, even be punishable. Large parts of the post-Soviet population are

too involved with survival and, therefore, neither willing nor able to commit themselves socially. This would require, *inter alia*, efficient, fair and transparent social security systems. Here Russia has a major success with its adoption of a new pension system from 1 January, 2002. At least in theory, the previous system of equality in poverty for the majority and privileges for a few has been replaced by a system based on performance. No such successes could be achieved in Moldova, Belarus and Ukraine. The fight against poverty has been limited to temporary promises or “electoral gifts,” and structural changes have failed to materialize. In the meantime, in Moldova, for example, 80 percent of the population have to make ends meet with less than one dollar per day.

In Ukraine, the movement “Ukraine without Kuchma” organized large demonstrations between January and April 2001. The protests were caused by the assassination of the opposition journalist Georgy Gongadze, Kuchma’s ever more obvious involvement with this murder, and the dismissal and prosecution of Julia Timoshenko, deputy prime minister for energy questions, in January 2001. In February 2001, the movement “Ukraine Without Kuchma” was founded. Politically prominent personalities, such as Julia Timoshenko, the head of the Socialists, Oleksander Moros, the Chairman of the Sobor party, Anatoly Matviyenko, and the parliamentary deputies Turchinov, Holovaty and Chornovil, are part of its coordination council. Mass protests took place in Kiev and other cities in the spring of 2001. The alliance, however, did not manage to organize a movement beyond these protests by shaping a joint policy. Ultimately, further cooperation also failed due to the differing interests of the elites that led the movement. Mass protests, with several thousand participants, occurred in Moldova in March 2002. They were spurred by the Communist government’s decision to reintroduce Russian as a language of instruction in primary schools and to rename the subject “History of Romania” as “History of Moldova.” The protests were initiated by the Christian-Democratic Party of Moldova, under the leadership of Iurie Rosca. Parents and teachers, in particular, participated in the demonstrations. After the government reversed its decision, the protests ceased. The way in which mass protests in Moldova and Ukraine have started and ended illustrates that, while social commitment against something can certainly be organized, social participation in favor of something is another matter.

Independent media are simultaneously an expression of and an influence on civil society. In its international ranking, Freedom House considers the media in Russia, Moldova, Belarus and Ukraine only “partly free.” The ranking reflects numerous interventions against independent journalism. State control over the media, property rights and the allocation of licenses is a structural problem. The scope for action by independent media is, therefore, restricted from the start. Over the last year the situation of independent media in Moldova and Belarus has not visibly improved. Outside the cities, access to independent information is difficult. The only alternative to Moldovan or Belarusian state television is Russian state television broadcast from Moscow. Even though state radio and TV in Moldova are legally required to operate in the public interest, there is no oversight body to ensure that it does. On 24 April, 2002, the Parliamentary Assembly of the Council of Europe called on Moldova to establish such a supervisory board by 31 July, 2002. No sanctions were attached to the demand, but ignoring a recommendation of the Council of Europe would leave considerable room to doubt the country’s Western orientation.

The American organization Committee to Protect Journalists nominated Russian President Putin one of the ten “Greatest Enemies of the Press” for 2001. During the course of the year, the Russian government impeded, censured and attacked journalists who wanted to report independently on the conflict in Chechnya. The attempt by Radio Free Europe/Radio Liberty to broadcast in Chechen, as well as two more languages of the Northern Caucasus, was stopped by the Russian side. In April 2001, a flagship of independent Russian media, the Most media group, fell under state control. Because of alleged financial problems, Most was

taken over by the Gazprom energy group, the majority of which is state-owned. Some newspapers, such as *Segodnya*, which were critical of Putin had to cease publication. The TV station NTV continues to broadcast, but its editorial staff and programming have changed. Putin followed a similar pattern in dealing with the station TV 6. Because of alleged financial problems, broadcasting rights were withdrawn from the channel and auctioned off. Putin's restrictive dealing with independent media were criticized not only abroad but also in Russia. In March 2001, approximately 10,000 Muscovites demonstrated against the imminent closure of Media Most, which illustrates that Russian society is not as willing to bear unlimited suffering as is often supposed. As in the other states discussed above, the public protests when the government threatens to restrict the freedoms gained since the beginning of the 1990s. The protesters, however, have not succeeded in developing their activities into the institutions and positions of a functioning civil society.

Like Putin, Ukrainian President Leonid Kuchma was also nominated one of the ten "Greatest Enemies of the Press" in 2001. The most prominent case of un-free media in Ukraine was the disappearance and ensuing murder of the opposition journalist Georgy Gongadze. He had, *inter alia*, reported on corruption in the highest political circles. From secret tape recordings of Kuchma's former bodyguard out of the presidential office, Kuchma's involvement in the murder can be suspected. These connections led Ukraine into a severe domestic and foreign crisis. A "Kuchmagate" affair was looming. In particular, the protest movement "Ukraine without Kuchma" was founded as a consequence of this case. Because of repeated murders of journalists and members of the opposition, as well as intimidation of members of parliament, in April 2002 the Parliamentary Assembly of the Council of Europe threatened to expel Ukraine from the Council.

Another factor for strengthening civil society is government support through the creation of an appropriate framework. Decision-makers' negative attitude towards opposition media in all four states shows their limited interest. Legal regulations that would enable political parties and civil society organizations to be financed and to function are lacking. When in November 2001 Putin took the initiative to support non-governmental organizations, this came as a surprise. He invited 4,000 representatives into the Kremlin to attend a Civil Society Forum. At first this seemed to be a step in the right direction. If, however, the Civil Society Forum is not followed by structural change, it could well deteriorate into an instrument for polishing Putin's image. Initiatives at the highest international level are confronted with similar difficulties. As a result of the intensive relations between German Chancellor Schroeder and Russian President Putin, a Civil Society Dialogue was initiated in 2001. As good as the idea seemed at the beginning, there was, however, no lack of voices critical of both events in St Petersburg and Weimar. The meetings' official character, which gave the impression of a dialogue on civil societies rather than with or between representatives of non-governmental organizations, came in for particular criticism.

Despite all the difficulties in 2001-02 there are many non-profit organizations in Ukraine, Moldova, Russia and even Belarus. Some of these organizations do amazing work, often under difficult conditions, and their achievements deserve admiration. Yet the problem is that each of these organizations has to be evaluated individually. Otherwise, it is difficult to check whether it is really an example of urgently required societal commitment, an initiative based on Western commitment, or even a bogus initiative that actually serves for money-laundering. Successful societal transformation would entail the creation of influential counterbalances to the state. Yet despite impressive figures of officially registered organizations, fascinating individual initiatives, and prestigious projects with national and international character, this is not the case. Societal motors of transformation are urgently required but have yet to develop. Poverty in these societies also gives growing cause for worry. Poverty, decreasing life expectancy and increasingly unequal distribution of opportunities have already become causes

of legal as well as illegal emigration, cross-border crime and smuggling. In its own interest, the West is challenged to act in this area.

The Paradigm of Civil Society and NGOs in Southeastern Europe

The unintended consequences of the asymmetric, unequal partnership between the authorities and administrations of weak states, on one hand, and massive interference by international organizations, on the other, are nowhere as glaringly obvious as in governance and civil society. The experiment of “reforming and reinventing the state,” as described in the strategy report on governance, collided with the objectives of democracy, transparency and accountability. The planned instatement of a civil society “top-down” defied the very concept of society as a pluralist, grass-roots phenomenon. The agendas of integration and transformation, however, dictate this unequal partnership.

The shifting paradigms of transformation during the 1990s have marked international policies in the western Balkans in recent years. Still reflecting the aversion against the dominant position of the state of the early post-communist years, the very concept of “civil society” implies a neutral factor to act as a counterweight and corrective to state policies. Ten years of experience in East Central Europe, as well as experience in Southeastern Europe where civil society is particularly underdeveloped and fails to appear in forms expected by Western observers, have amply demonstrated the intangibility of the very concept of civil society. Once the mere fact of democratic elections and democratic changes of government failed to prove a reliable criterion for consolidated democracy, civil society had to take its place. Once civil society turned out to be equally elusive and hard to generate by means of external assistance and guidance, NGOs became almost synonymous with civil society and democracy itself.

Typically, these priorities of external guidance tended to become self-fulfilling prophecies by providing funding for appropriate bottom-up initiatives. All existing initiatives have re-identified themselves as NGO to suit Western categories. The mere number of “NGOs” is hardly a measuring stick for democratic consolidation. As the Albania country report reveals in an exemplary fashion, the mushrooming of NGOs proves, if anything, the availability of international assistance. Most NGOs fail to acquire a domestic basis due to the weakness of civil society and economic development. Many relevant NGOs are fully dependent on international assistance, with no prospects for sustainability beyond the current intensified agenda of transformation. As the Albania and Bulgaria country reports demonstrate the opposite phenomenon is no less common. Many NGOs are actually GINGOs (Government Initiated NGOs), faking the objectiveness and political aloofness of civil society.

From the perspective of international organizations and donors, the high number of NGOs and civil-society initiatives contrasts to the highly selective circles of competent NGO and think-tank partners in the region. Consequently and paradoxically, it is the internationals who compete for cooperation with the few competent partners available. Thus, a small number of professionals acquire disproportionate and unchecked influence. Whereas a vibrant landscape of think tanks is often identified as a decisive prop for a young democracy against the arbitrariness and selfishness of the political class, the potential unintended consequences of strong NGOs to the detriment of representative democracy are no less obvious. NGOs and think tanks funded by international organizations more often than not tend to adopt and champion the policy agenda of these external partners. Consequently, with these responsibilities and international backing, NGOs may join up with internationals to force national authorities to follow suit. Apart from the question of whether the result of this unequal process is a policy optimally suited to domestic social, economic and political constraints, the democratic representativeness of NGOs is more than doubtful.

Typically, its inherent plurality and diversity makes civil society an awkward subject for international guidance. The relevant First Working Table of the Stability Pact has often been criticized as unstructured in its donor-driven funding policies, and unaccountable in the effectiveness of projects.

In sum, surveying the risks of the Eastern and Southeastern neighbors demonstrates clearly that on the ground the similarities predominate. The contrasting prospects emerge as soon as the diverging European agendas, engagement in the interaction with these realities, and the policy-making of national governments are taken into account.

III. European Agendas Beyond Eastern Enlargement

The Partnership and Cooperation Agreements frame the EU's relations with its eastern neighbors. They set a framework for political dialogue at the top and working levels, and for economic cooperation that includes an opportunity to create a free trade zone and extend cooperation between societies. Only the agreement with Belarus has not yet come into force for obvious political reasons. When the agreements were signed in the middle of the 90s, the scenario of future direct neighborhood relations was not considered. Since then, no bilateral framework agreement was elaborated, but some EU documents such as the Common Strategies on Russia or Ukraine were implemented, and the neighboring aspect has been increasingly taken into account.

In any case, the EU's eastern enlargement has developed much further than an adequate neighborhood policy. At the same time the neighboring countries themselves differ in their transitions and external orientations. In a nutshell, it is time for a new neighborhood policy that takes into account pan-European interests, as well as the capacities and capabilities of the neighboring countries.

Five European agendas for the neighboring countries and regions may be distinguished. The term "agenda" implies a broad framework of objectives. One agenda may include several complementary or even conflicting strategies.

The Agenda of Security concerns "strategic partners" with geopolitical relevance beyond the immediate neighborhood of an enlarged Europe. The tragic events of September 11th were a turning point in relations between Russia and the West. It became quite obvious that the West needs Russia to help mitigate security risks. At the same time, the President Putin was unexpectedly cooperative. Western perception of Russia changed from that of a former superpower into an ally in fighting international terrorism. Although the new partnership is driven by common interest, the agenda is also dominated by asymmetries. In this understanding, Russia and the other neighboring countries are simultaneously partners and risks. The security agenda is challenged to strengthen cooperation between asymmetric partners.

The Agenda of Transformation is in both regions a supplement to dominant agendas of stabilization and, in the southeast, of European integration. In Southeastern Europe, Western support goes beyond transformation and focuses on a clear agenda of stabilizing the area. The EU has made remarkable progress in supporting transition in Eastern Europe. Because the East European states are not candidates for accession, technical assistance from the EU is limited to key problems of transition. To use the comparatively limited money most efficiently, it is necessary to identify central problems and to create links between supporting transition and developing a new neighborhood policy.

The Agenda of Stabilization had, at least in recent years, a higher priority in Southeastern than in Eastern Europe. This difference is less related to the regional situation than to the EU's priorities. Actual risks of instability seem to have been higher and in the western Balkans. Conversely, the EU has defined risks such as the authoritarian regime of Belarusian president Lukashenko and the Transdnistria standoff as beyond its agenda and capabilities. Because of intense external involvement and an agenda of integration to drive change, the Balkans are on a path toward the EU. In contrast, the eastern neighbors are subsumed under a limited agenda of stabilization, with stability often implying standstill in political and economic transformation. Despite the conditions on integration, the production of instability

is likely to increase EU attention and assistance for a country in the western Balkans but not for the Union's eastern neighbors. .

The Agenda of Regionalization clearly distinguishes between East Central, Eastern, and Southeastern Europe. In the accession states, models of regional cooperation were generally accepted as a spinoff of the integration process rather than its precondition. Conversely, the legacy of instability in Southeastern Europe has induced the EU to upgrade regionalization to a key agenda, partly as a parallel strategy and partly as a precondition for integration. Although regionalization and integration in many respects represent fundamentally opposed approaches, functional forms of regional cooperation constitute added value for the western Balkans, regardless of the perspective for EU integration in the long term. Regional cooperation between the EU and its future neighboring countries in the east has increasingly important since the former Warsaw Pact countries gained independence. Avoiding new dividing lines is a slogan of almost every EU declaration on shaping new neighborhood relations. Strengthening cross-border cooperation is a key instrument for avoiding new dividing lines. The upcoming introduction of visa regulations in Poland and Lithuania based on the Schengen *acquis* is a test case of whether the EU is interested in and capable of combining justice and home affairs with good neighborly relations. Thus the agenda should also be based on an Eastern Dimension. The Eastern Dimension should include implementing a European program of cross-border cooperation and administrative support for the new visa regulations.

The Agenda of Integration is a taboo for the eastern neighbors and has catalyzed strategies by and for the southeastern neighbors once the promise of eventual integration was made in 1999. Agendas of regionalization, security, stabilization, and transformation are currently being redefined with a new orientation and urgency to become auxiliaries to the integration process.

A New Neighborhood Policy creates guidelines for developing a differentiated approach to EU relations between accession prospects on one hand and the Partnership and Cooperation Agreements on the other. The new neighborhood policy will be based on transition, security and differentiated cooperation with the EU. In contrast to EU policy in the western Balkans, it is still an open agenda which a less concrete European perspective.

1. Regional Strategies for the Agendas

As illustrated by their designations, the two comprehensive strategic instruments for the future eastern and southeastern neighbors—Partnership and Cooperation Agreements and Stabilization and Association Agreements—represent contrasting combinations and hierarchies of the agendas described above. For the western Balkans, integration and regionalization are the key agendas, with stabilization, transformation and cooperation in supporting roles. Conversely, for Russia security cooperation has high priority, whereas for the other eastern neighbors, the agendas of stabilization and neighborhood dominate.

2. Eastern Europe: Cooperation and Neighborhood

Without explicitly formulating its intention, the European Union has drawn a dividing line on future enlargements along the borders of the post-Soviet states. The approach the EU will take in shaping its neighborhood policy, and ideas the neighboring states have about their relations with the EU, remain open. Yet three elements of a neighborhood policy can already be identified: transformation, security and European integration.

European Cooperation: Russia has made a notable step toward more intensive cooperation with the EU. More than previously, Russia has come to recognize the EU as a security policy actor. If Putin continues his Western orientation and modernization in domestic and economic policy, the EU will also be challenged as a partner in the modernization process. The limits on cooperation between the EU and Russia are narrowly defined. Russia is not interested in joining the Union, and the EU is not willing to accept Russia as a member. Whether the new orientation under Putin is, in fact, sustainable remains as much to be seen as whether this orientation will be consistently pursued. The limits of Putin's Western orientation were seen in, for example, the Kaliningrad question. At the Moscow EU-Russia summit at the end of May 2002, regulation of transit to and from Kaliningrad proved a difficult topic of discussion. The European Union kept to the Schengen regulations. The EU's proposal provided for facilities at the administrative level, such as the establishment of consulates in Kaliningrad and the issuing of passports. This position is unacceptable to the Russian side. The ultimate aim of the negotiations from the Russian point of view was the maintenance of visa-free travel. After this aim could not be achieved, Russia blocked the administrative solutions offered by the EU. In light of the decisions of Poland and Lithuania to introduce visas for travel to and from Russia and Ukraine by July 1, 2003, the negotiations, which have, at present, reached an impasse, become even more important. If no negotiated way out of the impasse can be found to stop the confrontation, return to cooperation, and direct political interest toward administrative solutions, both actors will face serious problems. This issue would then confirm the danger that consequences of EU enlargement that could be dealt with administratively will become politicized.

Border treaties between Russia and the Baltic states have not yet been signed, which is another critical issue for Russian-European relations. As Ago Tiimann explains in his analysis, the border treaties will, however, neither impede EU enlargement nor impair travel. Yet the explosiveness results from the conflict-ridden and, as yet insufficiently calculable, external relations of the future EU. Nevertheless, with its concept of creating a common European-Russian economic space, the EU has offered Russia more extensive cooperation, despite all the existing conflicts.

Risks for the enlarged EU could also emerge from other regional conflicts and trouble spots in the EU's future neighboring states, such as Belarus or the self-declared state of Transdniestria. As in Kaliningrad, in Transdniestria unsettled status questions are linked with limited possibilities for the EU to intervene in the event of a crisis. In the case of Belarus, the European Union has decided to follow a course of isolation that means that it has, at the same time, given up any chance of exerting an influence on the country by shaping its transformation and supporting the opposition. Economic crises and Lukashenko's authoritarian regime have turned the country into a hotspot on the future EU border. In contrast to its stance on Belarus, the EU has maintained bilateral relations with Moldova despite that country's policy shift under the Communist President Varonin. The institutional relations and the technical aid granted by the West can be used to tie the country to Western standards and thus it back to internal reforms.

In contrast to Russia, Ukraine has stayed with its intention to join the European Union. Despite progress in individual reforms, this desire stems from a foreign policy decision rather than from internal reform and thus does not represent a realistic option for Ukraine. Even at the latest EU-Ukraine summit in July 2002, the European Union did not make any concessions that would have corresponded with Ukrainian ideas or satisfied its wish to become a member of the Union. Advances have been limited to individual statements. Together with Moldova, Ukraine, however, received an invitation to a European Conference. Contrary to initial expectations, the EU has not extended the concept of a pan-European economic space from Russia to other neighboring states. The most far-reaching statements on the relations of the EU and Ukraine came from Chancellor Schroeder at the German-Ukrainian government consultations in December 2001, where he supported the idea that Ukraine become associated with the EU. On the Ukrainian side, this is understood as a framework for the future relations with the Union, which, in consequence, will have to be filled with prospects for membership. Yet the Union is not fulfilling Ukrainian expectations. Nevertheless, the political necessity of working out a neighborhood policy with those states that want to join the Union but are not yet able to do so has become clear.

Partnership for Internal Modernization: The EU, knowing its own interests, is an important actor that supports transformation processes in its neighboring states. Between 1991 and 1999, Russia received 1.274 billion ECU, Ukraine 460.8 million ECU, and Moldova 61.8 million ECU just out of TACIS. From the start of the program, the EU has considerably changed its contents. At the beginning of the 1990s, bilateral relations between the EU and its future neighboring states, as well as technical aid, were not well differentiated. Relations were based on the trade and cooperation agreement signed in 1989 between the Soviet Union and the EC. A fundamental change of system in the Soviet Union toward democracy and a free market economy could not yet be assumed. Historic developments had overtaken the conceptual approaches of Western decision-makers. The EU had almost been forced to compensate for its conceptual vacuum by reverting to the “Washington consensus.” By the end of the 1980s, the international finance organizations based in Washington were convinced that transformations were best managed by liberalization and privatization. As a result, a large part of TACIS funds was used to support privatization. Since the middle of the 1990s, however, the partnership and cooperation agreements, as well as the Common Strategies, have formed a new basis for the relations between the EU and its future neighboring states. In line with the partnership guidelines, technical aid takes the peculiarities of the individual transformation processes increasingly into account.

At the end of 2001, the EU adopted a new TACIS country strategy and framework programs for the period from 2002 to 2006. Under these guidelines, regional differences, and the resulting interests of the EU are being analyzed with greater differentiation than ever before. The country strategies emphasize economic growth and individual structural progress. They also criticize shortcomings in political and societal reforms. Insufficient freedom of the media, the distribution of political power by special interest groups rather than by elections, as well as the lack of separation between political and economic power are, now as before, viewed as considerable obstacles to reform. Moreover, the Commission has expressed its worries about the “extreme poverty problem” and emigration in the case of Moldova.

In its strategic objectives for technical aid, the European Commission distinguishes between Ukraine and Moldova, on one hand, and Russia on the other. Guaranteeing internal stability, and creating secure and efficient border regimes are focal points in relations with all of the neighboring states. Technical aid is to be applied to prevent new dividing lines from developing, to support legal and administrative reforms, to further foster private enterprise, and to alleviate the social consequences of reform. Compared to previous expenditures, the level of financial support is not expected to increase. In 2002, it stands at ₴67 million for

Ukraine, €90 million for Russia, and €20 million for Moldova. In comparison, in 2000, Albania received €101 million and Croatia €209 million in technical aid from the European Union. These figures illustrate the focus of the European Union, which gives the stabilization of the western Balkans priority over the post-Soviet states.

The accession prospects for the countries of the western Balkans, which are ever more explicitly formulated, are connected with financial support for these countries' transformation process. By contrast, the neighborhood policy, which has to date been only indistinctly discernible, is accompanied by less extensive technical aid and financial support. In contrast to the first years of its implementation, technical aid has, however, transformed from a blueprint model, aimed at liberalization and privatization, into a differentiated understanding of transformation. Yet to actually set European standards for transformation, progress in reform needs to be consolidated with European integration. Although technical aid has gained visibility, the amount of financing and its conceptual targeting are not directed toward shaping all the transformation processes in the neighboring states. At present levels of support, the most that technical aid can do is implement model projects.

Security Partnership: The European Union's security policy cooperation with both Russia and Ukraine gained new urgency following September 11. The actors have understood how much weight ought to be given to cooperation in this field. As a result, one of the actions of the Russia-EU summit in May 2002 was to identify trouble spots. Monthly security policy consultations were also agreed upon. Despite the field's importance, both sides are handicapped in their efforts to produce real cooperation. The European Security and Defense Policy has only restricted capacity for action beyond declarations. Ultimately, the EU is no alternative for multilateral cooperation in NATO or bilateral cooperation with the United States. Russia and America have found common ground in bilateral cooperation, in particular in combating terrorism. Putin's open attitude toward another enlargement of NATO and America's national missile defense system, as well as the founding of the new NATO-Russia Council and the signing of the American-Russian disarmament treaty in May 2002, were milestones of rapprochement. These are impressive examples of progress, but they are a long way from instruments that create symmetric cooperation. As long as this remains the case, there is no equality between one stable, prosperous and powerful partner and another partner that is prone to crises, full of risks and difficult to anticipate. The bigger the asymmetries, the greater the security risks, and the more difficult is it to establish a sustainable partnership.

Progress made in security policy cooperation between Russia and the West overshadows relations with Ukraine. Previously, Ukraine had been ahead of Russia in security relations. On the level of declarations and facts, Kiev had much closer ties with NATO than Moscow. Often, however, maneuvering between Western and Russian interests hindered Ukraine from further strengthening its Western orientation. Ukraine used Putin's new-found orientation to dissolve the East-West antagonism. In May 2002, Ukraine's National Security and Defense Council formulated the country's intention to join NATO. Similar to Ukrainian efforts to become a member of the EU, the decision is foremost a declaration of political intent. In its contents and timing, it does not correspond with the country's progress in transformation, in particular with the reform of the armed forces. Foreign policy intentions are not connected to internal reforms. Apart from some minor exceptions, NATO has, to date, not made any new offers of cooperation to Ukraine. If the Western institutions do not manage to develop a new neighborhood policy, the rejection can result in new frustrations. A shock of refusal would have a destabilizing effect on the ongoing transformation and increase Ukraine's role as a regional risk.

The EU and its future neighboring states cooperate on the three levels of security policy, transformation and European integration. Yet these elements are not integrated into a comprehensive neighborhood policy. Given its demand for full membership in the Union,

Ukraine places the greatest pressure to act on the EU. Because of its strategic importance and its wealth in raw materials, Russia remains an interesting but complicated partner for the West. Because of their internal instabilities, not only Moldova and Belarus, but also Ukraine and Russia present risks for Europe. Therefore, strengthening integration and harmonization, as well as stabilizing the transformation process are urgently required. The previous strategies of the European Union will not suffice to prevent new dividing lines and additional risks between East and West. A new neighborhood policy is needed, and all of the relevant actors in East and West are challenged to work out such a new policy. It must take into account security policy challenges and risks, as well as the course and objectives of transformation and develop new possibilities for integration with Europe.

3. Southeastern Europe: Association and Regionalization ⁵

Arguably, the chance of future EU membership for the countries of the western Balkans derives from their foreseeable position as a small—both in size and population—enclave in an enlarged EU. As a matter of fact, however, the 1999 Kosovo War was instrumental in redefining the European agendas for the region. Without their supportive role in the Kosovo War and their revised appreciation as relative anchors of stability in Southeastern Europe, Romania and Bulgaria would not have qualified for accession negotiations at the Helsinki European Council. Similarly, for the sake of sustainable stability in a region defined by modernization problems and ethno-national conflicts the agenda of structural transformation overruled objections arising from Europe's typical agenda of integration. With stabilization as the lead agenda, integration was defined as the moving force, the essential condition for a structural breakthrough in the region. To take off, both the delayed reforms of post-communist transition and the attempt to foster stability and development with regional cooperation depended on the motivational pull of possible EU membership and international assistance. Although stabilization is still a major concern, three years later, integration is taking over as the lead agenda with stabilization, transformation and regionalization adopting complementary, auxiliary roles in the rearguard.

The Stability Pact for Southeastern Europe was designed at the German Foreign Ministry during the Kosovo intervention as a EU Common Strategy for Southeastern Europe and initiated on 10 June 1999. In terms of institutions and explicit strategies, it featured a promise to “draw the region closer to the perspective of full integration of these countries into its structures,” as well as, in earlier drafts, a perspective of NATO membership. Shocked by the atrocities committed in Croatia, Bosnia and Kosovo in the 1990s and apprehensive about new bloodshed in an additional round of Yugoslav disintegration, the Europeans made stability their prime concern. Comprehensive transformation, a fundamental improvement of the outlook for the populace, regional and inter-ethnic cooperation, as well as long-term prospects for EU integration became the building blocks for stability in the Balkans.

Whereas the Stability Pact represented agendas of stabilization by regionalization and transformation, the SAP makes the agenda of integration concrete. Some of the countries in the region had signed bilateral Trade and Cooperation Agreements (TCAs) or Association Agreements (AAs) that typically excluded any option of integration and were more modeled along the lines of EU relations with the Mediterranean region or the CIS states. The Stabilization and Association Agreements presented in May 1999 reflected the new agendas by opening opportunity for EU membership that is instrumental to the region's stabilization. After Helsinki, tacit disregard for integration in EU documents indicated that stabilization remained the lead agenda. The change of regimes in Croatia and Yugoslavia in

2000 suddenly confronted Europe with a real window of opportunity with democratically elected and, to varying degrees, reform-minded governments in all of the states of the region.

Forced to act on its own agenda and promises, the EU set out to turn the SAA into a tangible and serious policy instrument. The SAP came to resemble the instruments of enlargement. The SAA copied the Europe Agreements, and CARDS gave the western Balkans its own counterpart to Phare or TACIS, with macroeconomic assistance and trade facilitation to complete the package. Now, three years after the original promise of eventual integration, the SAP has become the pivot of European Balkan policies and, in an optimistic reading, the shared objective of all the region's countries. Stabilization, regionalization and transformation have become facilitating agendas or building blocks on the road back to Europe. This shift of paradigm from stabilization to integration is illustrated by the contrast between the two SAAs that have been signed so far: The SAA for Macedonia (April 2001) was based on motives of stabilization, the next one for Croatia (November 2001) on conditions of integration that had been met. The Regulation of the Council of the EU (December 2000), the CARDS Regional and Country Strategy Papers (October 2001), and the Annual and Country Reports (April 2002) marked further adjustments to the eastern enlargement's model of Progress Reports. In sum, a prospective southeastern enlargement has passed the point of no return and has become the lead agenda. Consequently, inherent tensions between the agendas are becoming apparent and critical.

Three strategic dilemmas are typical for western Balkans and contrast to both East Central Europe and the eastern CIS neighbors: (1) structural and situational legacies, (2) regional heterogeneity, and (3) duration of the integration process. Compared with the current accession states, the countries of the western Balkans have to cope with many structural and situational legacies of the distant and recent past. These legacies result in problems such as weak states, despite their strong pretenses of sovereignty and ethnic statehood, weak civil society, with the excessive intertwining of economic and political power, and weak economic modernization, which has not yet reached take-off in large parts of the region. The difference between the Balkans and East Central Europe is that between ten years of steady transition in East Central Europe and ten volatile years of ethnic conflicts and instability in major parts of Southeastern Europe. The risk of armed conflicts between states and state-like entities in the regions now seems remote. Yet, the potential for clashes between ethnic groups within states or political controversies between states has not diminished significantly. Without the pressure of the shared prospects for EU membership, the political will in the region to negotiate bilateral and multilateral arrangements over unresolved issues would dwindle. Even compared with the CIS republics, the states and state-like entities of the Balkans have demonstrated a disproportionate propensity for conflict and instability. The risks of the region involve the EU, not only in terms of conflict resolution. Because many players in the region have come to include the international community in their strategic calculations, e.g. by banking on external diplomatic or military intervention or by expecting additional assistance in response to demonstrated instability. Compared with East Central Europe, Southeastern Europe is characterized by delayed transformation, structural deficits in modernization, weak states, political volatility and over-politicization, with the international community accepting an additional role by guaranteeing basic security and providing state functions in Kosovo and Bosnia. In sum, these legacies of conflicts and structural deficits make for a situation that cannot be handled with the classical instruments of EU enlargement alone.

The level of regional heterogeneity is qualitatively different in most every dimension of the threefold transition, nation and state building, socio-economic transition and political-societal transition. By comparison the differences among the ten East Central European candidates were relatively small, although the EU judged them large enough to induce the creation of two groups of candidates. This dilemma is sharpened by the institutionalization of the

integration agenda for Southeastern Europe in two separate processes: the residue of eastern enlargement with Romania and Bulgaria, and the SAP for the western Balkans. There is heterogeneity within the region that defies the pattern of conditionality and regionality practiced in eastern enlargement. Unlike the case of East Central Europe, considerations of stabilization and scale require that regional cooperation in Southeastern Europe should operate prior to and parallel to the EU integration process, instead of being treated as its natural consequence and a follow-up to integration.

The Stability Pact and SAP are not a perfect match and do not jointly provide a comprehensive framework for the region's European perspective. The SAP prioritizes the power of bilateral conditionality and consequently only identifies regional cooperation as an auxiliary mechanism. The bilateral conditionality of the SAP causes a new divide within the region and competes with the Stability Pact's logic by promoting integration via Schengen borders and an internal market. By its very logic, conditionality rewards those countries that have successfully mastered the quantifiable and urgent challenges of political and economic reform rather than the less tangible long-term objectives of regional cooperation. Some countries in the region have better potential for political, administrative and economic reform than others. Some have a relatively straightforward and shorter road toward EU membership, some a correspondingly limited inclination toward regional cooperation. Other states and state-like entities have to cope with major modernization problems and weak state institutions, face a long and arduous road towards EU membership, need to depend more on regional cooperation, and face major burdens in terms of sovereignty status, inter-ethnic relations and state consolidation.

As a consequence of these factors, the duration of the integration process of association and pre-accession to the EU will be much longer and more protracted for Southeastern Europe than in any previous round of enlargement. Consequently, the duration of the integration process increases the risks for societal and political fatigue and frustration and thus, the possibilities for setbacks, reversals and other destabilizing effects. The strategic question for the EU is how to sustain the political commitment of the region's elites for a period of 10 to 15 years, bearing in mind that failed states would destabilize the entire neighborhood. By 2004, all of Southeastern Europe will be included in the prospective *finalité* of European integration, but excluded from actual membership for a protracted period of time.

The key question is how to stimulate regionalism to prevent less advanced countries from backsliding, while upholding fair conditionality based on individual merits and offering adequate time frames and assistance strategies for the more advanced countries in the region. A balance has to be struck between the regionalization agenda of the Stability Pact, the stabilization agenda of EU crisis management in issues of state-formation and nation building, as well as the conditions placed by the agenda of integration. The complexity and unpredictability of the Balkans' road toward Europe, however, calls for rethinking and rearranging some of the instruments available for crisis management, conflict prevention, reform assistance, regional cooperation and European integration. They should be pointed toward strengthening the region's prospects for joining the European Union. Thus, the paradigm of southeastern enlargement requires the hierarchies of agendas and institutions in and for the region to be expressed more clearly.

A set of strategies and institutions both qualitatively and quantitatively different from the ones employed in the enlargement process in East Central Europe is needed in the Balkans to cope with the specific requirements for stability in the region and to successfully push the SAP toward EU integration. Overall, the integration process will be significantly more arduous, heterogeneous and asynchronous. The gap, moreover, between the current accession states and the Balkan association states is likely to increase after 2004 because of the unequal distribution of assistance and structural funds. A more realistic scenario for the southeastern

enlargement process after 2004 calls for a consistent and transparent overall strategy with more coherent sets of policies and instruments providing concrete stepping stones, distinct incremental incentives linked to tangible interim benefits. A more coherent trajectory for the accession of the Balkans to the EU should have as its core strategy the SAp, because it is the most comprehensive partnership between the EU and the countries in the region in the process towards EU membership.

Other instruments and institutions may have to review their roles as they relate to the SAp. Complementary tasks involving conflict-prevention and crisis management should remain the primary responsibility of NATO and the EU's CFSP/ESDP diplomatic and military capabilities. Complementary tasks involving mainly, but not exclusively, regional cooperation should remain a key role of the Stability Pact. The key objective should be to articulate their respective roles in a more complementary manner in order to generate a truly comprehensive integration process. Thus, an Agenda for Southeastern Enlargement would above all require enhanced strategic complementarity and institutional congruence. Complementarity and congruence require some considerable pulling and pushing, involving both strategies and institutions, to strengthen the European perspective in the region, while avoiding counterproductive duplications, multiple interfaces and, above all, conflicting policies and objectives that consume time and waste resources.

Enhanced Strategic Complementarity: Bilateral conditionality and regional cooperation are separate strategic objectives promoting separate but equally important and complementary reforms. They should not be allowed to emerge as competing agendas. The responsibility here lies both with the local political elites in demonstrating forward-looking leadership and with the EU in ensuring that regional cooperation is not construed, and thereby discredited, as a substitute for EU membership. This involves both a new quality of public policy in the region and strategic prioritization of functional forms of cooperation.

Strategic coherence today in the Balkans, first, requires squaring the need for a transparent and differentiated process for each individual candidate toward EU membership (bilateral conditionality) with the need for enhanced regional cooperation among the various states and entities in the region (regional approach). Bilateral conditionality is necessary both as a stick and as a carrot. It is important, on one hand, because it clearly sets out the benchmarks that the different local actors have to meet to fulfill the EU criteria for accession, thereby laying out the rules for the trajectory toward Europe. The strict but fair application and rigorous review of the various bilateral conditions can also ensure the credibility of the European model, for example, by discouraging simulated reforms and cheating. Moreover, a differentiated approach reflects the political, social and economic heterogeneity of the region and the necessity for tailor-made solutions to specific individual problems and challenges. Finally, it ensures that the region can move faster than the lowest common denominator.

Regional co-operation is not merely a precondition for EU membership. It is above all a prerequisite for peace, stability and prosperity and, thereby, a strategic objective on its own merit. Functional forms of cooperation make sense from a purely regional perspective, regardless of the process toward EU integration. For example, regional cooperation in enhancing free movement of peoples, goods, services and capital is a must for economic and social development. Regional political cooperation in addressing international organized crime and corruption, as well as problems related to refugees and internally displaced persons is necessary for stabilization, normalization and reconciliation. Pragmatic and locally-driven regional cooperation can only complement efforts toward EU integration. Eventually, within an EU of 32 members the only significant voice the Balkan states will have will be a regional voice. In this respect, one might distinguish three levels of regional cooperation: (1) basic forms of regional cooperation and coexistence as preconditions for normalization and reform throughout the region; (2) functional forms of cooperation that build on these preconditions

and are advantageous for all the regional partners, e.g. regional standardization in visa regimes or free trade agreements, as well as improvement of regional transport and energy infrastructure; and (3) instrumental forms of regional cooperation that are directly linked to the objective of EU integration. The EU prospects for Southeastern Europe will remain illusory if they are not backed up by basic regional cooperation, as a precondition for reform and stability, and by sufficient functional cooperation, as a stimulus for state consolidation and economic development.

The Stability Pact should be refocused to become an auxiliary instrument to the SAp. This new paradigm implies prioritization instead of comprehensiveness and proactive rather than defensive programming. The different complementary tasks should follow different timeframes and set-ups. Regional political cooperation and dialogue should gradually be transferred to regional ownership under the South East European Cooperation Process (SEECP) in the medium term, which would have to develop appropriate mechanisms and procedures. With the conclusion of major infrastructure projects and initiatives such as the free trade agreements, the Stability Pact's investment advising should also be regionalized. Its role in economic matters would be phased out. Justice and Home Affairs could be left to the relevant EU structures in the medium term, and security matters might have to be taken over by the regional dialogue under the SEECP. One long-term role of the Stability Pact would be to become the clearing house for civil-society initiatives and donors. Another important long-term role with a critical regional dimension also could be active involvement in the thorny issues of reconciliation and refugee return. Other Stability Pact initiatives would stand on their own as regional centers for specific tasks. This refocusing implies that the structure of working tables, task forces and sub-tables will become a liability and require change. Many of the core regional tasks are by definition cross-cutting issues, particularly in economic reform. Comprehensiveness could remain a major Stability Pact asset only in the area of the First Working Table's civil-society initiatives. Here, it might increasingly become a valuable interface between the EU and bilateral donors and NGOs. Because the very nature of donors, civil society and NGOs defies coordination, the Stability Pact would have to guide and prioritize by presenting consistent and convincing strategic visions. The business advisory council, the specialized regional centers, regional dialogue, the coordination of regional initiatives and the free-trade agreements constitute inherent added value from the Stability Pact.

Functioning States and Status Issues: Enhanced strategic complementarity helps functional states and political entities at all levels to strengthen the effectiveness and legitimacy of state institutions. It also develops creative approaches to the unresolved status issues without sliding back to zero-sum conflicts and unilateral demands for territorial revisionism. Building functioning states is a condition both for stability and for the prospect of EU integration. Regardless of final status arrangements, the progress of states and political entities, and their opportunities to advance toward EU membership will be conditional on their performance in building capacity and their reforms of state institutions such as the public administration, the financial regulatory framework, the judiciary and the police. The establishment of functioning state institutions is, perhaps, the single most important strategic objective for all actors in the region and must not be allowed to be taken hostage by unresolved status issues. Thus, the functionality of states and entities has to take precedence over questions of sovereignty. Even more, questions of unresolved status, such the question of Kosovo, will have a greater chance of being negotiated and resolved in a self-sustaining and constructive manner if the actors concerned manage to build effective state structures and legitimate institutions capable of negotiating solutions. Conversely, a step-by-step peaceful and democratic process of negotiating political status issues can only strengthen the legitimacy and thereby the effectiveness of state institutions.

Sustaining this balancing act between building functional states and preparing final political arrangements is perhaps the most demanding challenge in the Balkans. The two strategies are separate but mutually complementary and reinforcing. The starting point for creative politics in the region regarding unresolved status problems, particularly regarding the local leadership, is the need to respect international obligations (e.g., Dayton Accords, Res. 1244, Ohrid Agreement, Belgrade Agreement). The dilemma of how to fully engage Kosovo in the SAP without compromising the fragile equilibrium of Resolution 1244 lies mainly with the EU and the international administration in Kosovo (UNMIK). Because of the conditionality principle, the EU cannot afford to accept the potential for regional destabilization as an “asset” or a bargaining chip. Because of the regional principle, the EU cannot afford to accept unresolved status issues as a reason for excluding the entity from the SAP. This requires a creative adaptation of the SAP by the EU to the deficits and capabilities of the laggards without forfeiting conditionality.

Enhanced strategic complementarity also requires creatively balancing the demands for greater regional/local ownership in the process toward EU integration with the inevitable EU intrusiveness, comprehensive norm setting and Brussels-imposed conditionality for EU membership. Initiatives driven by local interests are more likely to respond to real and immediate needs in the region. In the end, they will also carry greater weight in sustaining local support. Yet EU intrusiveness and conditionality are also indispensable, both because the attraction of EU membership carries great leverage and because a strict EU review process of bilateral conditionality will be necessary to ensure that reforms toward EU integration are genuine and self-sustaining. Similarly, enhanced strategic complementarity has to reconcile an open process without fixed timetables with a concrete approach that has verifiable benchmarks to ensure the credibility of the process and sustain popular support for the rather protracted trajectory to Europe. To that end, the benchmarks have to be linked to well-defined stages in the SAP involving tangible interim benefits on the basis of bilateral conditionality.

In conclusion, enhanced strategic complementarity recognizes that addressing the complex and special challenges of the Balkans’ path toward the EU integration requires a process-oriented approach. Seemingly incompatible strategies (bilateral conditionality versus regional co-operation building capacity in functional states versus unresolved status issues, regional ownership versus international intrusiveness) have to be tackled as mutually complementary processes that support rather than obstruct the road toward EU accession.

Enhanced Institutional Congruence: The current proliferation of international and regional initiatives, and particularly the pluralism that characterizes the institutional interface between the EU and the region, is inappropriate and counterproductive. Yet the current situation is not the result of a comprehensive international approach to the realities in the Balkans but rather, as usual, the outcome of the well-known complexity of the international community and the *sui generis* set-up of the EU. The consequence of the requirement for enhanced institutional congruence is a new deal for the current key initiatives in flexible arrangements under an informal common roof.

Institutional complementarity implies that the various actors should try to determine their priorities and set their policies by measuring their comparative advantages and added value in relation to those of the other actors. They should also commit themselves to more regular and systematic consultation and some degree of joint policy planning. Similarly, it is very important that each initiative and institution develops policies and sets priorities with clearer focus. Flexibility implies that no question of sole leadership is raised and no formal institutional rearrangements are sought, but rather systematic consultation and informal agreements for a more rational division of labor. Thus, a common roof does not refer to the creation of any new institution, but rather to the need to pull all major current initiatives into a more integrated strategic framework that promotes the common goal of southeastern

enlargement. A number of issues concerning institutional congruence have not been adequately addressed despite some initial efforts in the right direction, such as the establishment of the Informal Consultative Committee involving the EU Council Secretariat, the European Commission, the SEECP, the Stability Pact and the EU Presidency (November 2001). Three specific issues have to be resolved:

1. **Stability Pact and SAp:** The complementary tasks of the Stability Pact discussed above (regional dialogue, regional co-operation, clearing house for civil-society initiatives and donors) require more integrated coordination with the appropriate offices in the European Commission. The Pact's future role and the prospect for enhanced complementarity with the SAp are central issues. A pivotal assumption behind the need for moving from stabilization to integration and adjusting the EU involvement in the region to the new realities is that the Stability Pact should become institutionally, strategically and operationally synchronized with the overall EU framework for the region. As a new paradigm, such a tighter and clearer SP-EU nexus and enhanced complementarity between SP and SAp could alleviate some of the Pact's original problems, improve its effectiveness and help cope with new challenges in the region. This change of orientation also implies the need to consolidate the Pact's objectives, institutions, strategies and timeframes. Reorganization the SP aims to turn an initiative created primarily for regional stabilization into a full-fledged instrument for European integration.
2. **SAp and CFSP:** Similarly, the short-term crisis management of the CFSP ought to fit more systematically with the medium-term requirements of workable arrangements for the SAp. Another issue here is the need for enhanced complementarity within the EU structures, for example, between the initiatives and the role of the EU High Representative for CFSP and the role of the SAp process, which is led by the European Commission. The paramount consideration is the need to ensure consistency of the EU involvement in the region. The EU's security role in the region, particularly as it prepares to take over full responsibility for the international police presence in Bosnia-Herzegovina, is another important issue necessitating greater coordination within the EU.
3. **SEECP and regional ownership:** The SEECP should progressively become the voice of the region and an equal partner in making decisions on the affairs of the region, in the context of the CFSP as well as in the Stability Pact and the SAp. Given the necessary capabilities and political will, in a number of issues the lead role might even be transferred to the SEECP. The capabilities for taking on a lead role require not so much institutionalization of the SEECP, but rather a fair amount of political will and regular ministerial meetings in key areas of potential regional co-operation such as security, economics, trade and energy. SEECP should be credited with the potential to become the voice of the region, but not be elevated to that position by default.

Southeastern Enlargement After 2004: Adopting an agenda for southeastern enlargement would therefore signify the progressive and balanced shift of the position of the international community and the local leadership from stabilization to enlargement, from international micro-management of the region to macro-management with greater local responsibilities, and from institutional proliferation to an integral institutional framework. A framework of informal and flexible consultation in which all current strategic objectives, actors and initiatives would be rearranged to create dynamic synergies would acknowledge this paradigm shift. More specifically, sooner rather than later, and certainly soon after the finalization of the eastern enlargement process, assigning the leading role for the southeastern enlargement process to the European Commission would most likely be a formality. DG Enlargement would combine experience from ten years of eastern enlargement, and possibly part of the

remaining pre-accession funds, with responsibility for both the accession negotiations with Romania and Bulgaria, and for the SAP of the western Balkans. The question then would be how best to redefine responsibilities among the various EU instruments, as well as with other actors that operate outside the EU framework such the Stability Pact and the SEECP.

A schematic rearrangement of roles promoting enhanced strategic and institutional complementarity would be based on two rules. Each actor and initiative should develop a clearer focus of action, taking into account the need for enhanced strategic complementarity. All actors and initiatives should commit themselves to enhanced consultation and cooperation, taking into account the need for enhanced institutional congruence. Following the actual East Central European countries' accession to the EU, the European Commissioner for Enlargement should become the Commissioner for Southeast European Enlargement. Thus, the region, i.e. the western Balkans and, likely Romania and Bulgaria, should no longer be the responsibility of the Commissioner for External Relations. The remaining funds previously earmarked for eastern enlargement should be made available for the candidates of Southeastern Europe. Accordingly, the promotion of some of the "associated states" to the status of "candidate states" should increase CARDS resources for the remaining countries in the SAP. Moreover, with SAP and pre-accession in one DG, the mismatch among Phare, Interreg and TACIS, especially in their cross-border dimensions, during eastern enlargement can be avoided. The SAP should increasingly resemble eastern enlargement with annual Progress Reports for each country, both candidates and associated states, plus a regional report for all of them. Accordingly, the European Reconstruction Agency would either be responsible for all or none of the CARDS countries rather than half of them. Renaming the agency would also be appropriate. Nevertheless, SAP and EU candidate status should be upheld as separate but sequential trajectories for EU integration.

Southeastern enlargement should not require a new institution, but rather dynamic consultation and pragmatic cooperation among the relevant EU and non-EU institutions in an enhanced and enlarged Informal Consultation Council (ICC). The consultation ought to include CFSP, DG External Relations (DG Southeastern Enlargement as of 2004), SEECP, the US, the SP, South East Europe Cooperative Initiative, the World Bank, NATO as well as, temporarily, the Special Representative for Kosovo and the High Representative for Bosnia-Herzegovina. An Agenda for Southeastern European enlargement that functions as a flexible coordination mechanism would respond to two institutional problems. First, the multiple interfaces and/or competing responsibilities between the Stability Pact and the SAP, SECI and even CFSP could be clarified and improved without major new institutional arrangements. Secondly, institutions that are non-EU or only partly EU could be integrated without excluding key partners such as the US, SECI, NATO or the Stability Pact. This forum for consultation might also gradually replace the High Level Steering Group/Task Force of EU and World Bank in strategic economic decisions. In sum, whereas representativeness is a key element in the Stability Pact's Regional Table, the ICC banks on strategic synergies among key actors. The EU could chair the Pact's coordination sessions. Depending on the issues, the High Representative for CFSP or the Commissioner for Enlargement, External Relations or Trade would represent the EU as chair, although decisions on these issues will ultimately depend on the outcome of future EU internal restructuring. Consequently, divergent messages to the region and strategic confusion or contradictions could be avoided to a much larger degree. Moreover, "cross-conditionality" could be applied more vigorously and transparently. Non-compliance with international obligations (ICTY, Res. 1244 or Dayton) could be linked to progress in the SAP.

Because of internal divides and the heterogeneity of the region, the Agenda for Southeastern Enlargement will have to accept and cope with a region in which different states will be in different phases and contractual relations with the EU for a long period. The core challenge

will be to uphold and implement regionality without sacrificing the conditionality driving the regatta model. A major challenge here, particularly because of the region's heterogeneity, is the need to clarify the procedures and phases of the southeastern enlargement process as soon after the decision regarding eastern enlargement. Flexible but consistent entry procedures and exit procedures for the SAp must be established. The heterogeneity of the region and the duration of the process call for creative policies between regionality and conditionality, with due respect to individual countries on both ends of the scale and to the region as a whole:

1. SAA-Minus for laggards: Because only functioning sovereign states can become members of the EU, the trajectory of southeastern enlargement also implies long-term exit strategies for KFOR/UNMIK in Kosovo and OHR/SFOR in Bosnia. At a given point in time, the status issues will have to be resolved in a way that can ensure that all peoples in the region would be capable of joining the EU. In the short and medium run, however, the participation of all peoples in the region in the SAp process should be ensured by creative solutions. Unresolved status issues must not be construed as obstacles to the participation of certain parts of the region in the SAp process, because it could undermine peace, stability and the entire region's process toward European integration. In order to include all countries and entities of the region in the SAp and the SAA path, a special SAA-Minus has to be defined for those incapable of fulfilling the SAA admission criteria in the medium term, e.g. because of unresolved status issues. Once the constitutional constellation and the SAA procedure for Serbia and Montenegro have been arranged, Kosovo would be a prime candidate for SAA-Minus with reduced conditionality and reduced but effective assistance and benefits.

2. SAA-Plus for advanced states: It would be unrealistic and contrary to the principle of bilateral conditionality to expect the more advanced association states to remain in their SAA until all states of the region have completed the SAp. Therefore, a mode for the promotion from SAA to the status of negotiating candidate should be defined, based on fulfillment of all SAA criteria rather than pre-set timetables. A system of sluices with increasing levels of conditionality and assistance does not invalidate the logic of a single regatta. Assuming a time gap of at least ten years between the accession of the first and the last Southeastern European state, and also assuming that the EU will continue its preference for grouped accessions, for procedural and pragmatic rather than principled reasons, southeastern enlargement will in all likelihood be completed in two rounds. The separation and sequencing of SAA and candidate status, however, is not violated by selectively "mirroring" relevant pre-accession instruments and offering them to the more advanced SAA states, e.g. screening for the adoption of the *acquis*, certain economic instruments, and assistance for administrative capacity-building. Eventually, this SAA-Plus approach might significantly shorten the actual phase of accession negotiations and strengthen a country's role as a locomotive within regional cooperation.

3. Interim incentives during the process: The projected duration of the EU integration process for the western Balkans requires stages within the SAp, marked by distinct reform conditions and interim incentives for individual SAA countries. Such tangible stepping stones might be found in Justice and Home Affairs and Schengen policies, internal and external security, or economic and trade integration. The incentives might stimulate reforms beyond the criteria and benchmarks of the respective phase of the integration process.

In conclusion, what may have worked reasonably well in the eastern enlargement process requires additional work in the case of southeastern enlargement because of the qualitatively and quantitatively different challenges this region poses. A consistent grand design for southeastern enlargement after 2004, including the establishment of an Informal Consultation Council to provide much-needed strategic and institutional coherence and orientation under EU leadership, as well as an enhanced SAp, will be needed soon to secure a credible Balkan trajectory to Europe.

IV. Toward a Multi-Layered Europe

The results and recommendations of *Beyond EU Enlargement* map out an approach to Europe's future. In Southeastern Europe, the Union is already taking on responsibility to stabilize the region's postwar recovery. Because the enlarged EU will surround the western Balkans, this approach is very much in the European interest. Although approaches to a new neighborhood policy for Eastern Europe are still under discussion, they are already on the agenda of western decision-makers. On the whole, while the EU recognizes its responsibility beyond its borders, pressure from the outside remains much higher than European responses. For instance, Ukrainian and even Moldavan decision-makers are using the perspective of EU membership as a new guideline for their post-Soviet orientation. At the same time, internal development is an inconsistent mix between meeting western standards and muddling through transition problems. Developments in the Balkans are driven by membership prospects and assistance, even if EU membership for countries such as Albania is, in the short and medium term, based much more on a Western commitment than on fulfillment of the Copenhagen criteria. In both in Eastern and Southeastern Europe, expectations from the European Union exceed its current strategies.

To reduce the gap between external expectations and EU policies, the Union has to develop a new level of pan-European capacities. This step cannot be achieved by "simply" continuing the success story of EU enlargement. Only the model of a multi-layered Europe can fulfill the huge attraction of the EU, which is present in most of the former communist countries. EU integration has to be the most important core of the model. Based on the EU's history and self-understanding internal integration will continuously increase. The future of European integration is partly reflected in the post-Nice process and the European Convention. Although the process is first and foremost oriented around the current enlargement, European integration must also meet pan-European requirements. It is not only Russia that challenges the EU to strengthen its Common Security and Defense Policy. Furthermore the EU should identify other areas for functional cooperation with non-candidate states. Differentiated integration can offer alternatives for strengthening cooperation without full membership. In any case, future capacities and capabilities for European integration shape a multi-layered Europe. At the same time, the EU cannot solve the problem by simply ignoring it, because expectations beyond the Union's borders would either be constantly increasing or would be disappointed. In the latter case, the EU might lose its influence in stabilizing and safeguarding Europe.

The second layer is the enlargement process that connects countries to the EU until accession. Based on setting norms from the outside, on monitoring and on integration, the enlargement process is the success story of the European Union's external relations. Within the multi-layer model, enlargement is the most concrete but also most ambitious option, which should not be used as a magic bullet. One has to consider that its benefits also depend on internal capacities to strengthen integration, and a rash opening of the Union might even destabilize its ability to act.

The current accession process illustrates that not all countries from the Baltics to the Balkans that have been offered more or less concrete accession prospects will enter into the Union in the short or even medium term. To reduce rejection shocks and to improve the accession process, pre-accession benefits have to be strengthened. Once the overall prospects for membership are decided, providing technical assistance and information should be instruments of a pre-accession strategy. Overall, in the third layer a powerful pre-accession

approach should be developed, which makes the status attractive enough to guide cooperation in the medium term.

For good reasons, the EU has not offered membership prospects to the countries of the fourth layer, such as Ukraine and Moldova. Currently, the decision depends not only on the shortcomings of the countries' internal reforms, but also on the EU's capacities for integration and its political will. In any case, declarations about avoiding a new dividing line should be taken seriously and not limited to mere statements. To integrate countries without current accession prospects into the multi-layer model, a new neighborhood policy is needed. The neighborhood policy cannot be shaped only by the EU; the neighboring countries must also agree. Neighborhood policy differs from pre-accession and accession policy in its general approach. Being a neighboring country does not necessarily mean being oriented on the *acquis communautaire*, but does mean strengthening cooperation. From the neighboring countries' side, it is imperative to have access to European markets and societies. Therefore, neighborhood policy should avoid trade borders and visa borders until there are new opportunities for functional integration. In a nutshell, EU interest is guided by security, stability and cooperation. The status of a neighboring country should only be offered to countries fulfilling two criteria, geographic location in the European neighborhood and European self-definition.

The Chechnya war and the conflicts arising as a consequence of September 11th illustrate that a new European model has to go beyond direct neighborhood. To increase its pan-European influence, the EU should strengthen its capacities and capabilities for conflict prevention as well as conflict management. At the same time, supporting transition processes through technical assistance can be a keystone for European cooperation.

The multi-layered Europe should widen the European Union towards a European union, in which successful external relations are not restricted to enlargement. To make the approach executable, the different layers of European integration, accession, neighborhood, and pan-European policy have to be flexible. The intentions of the Treaties of Rome declare that the Union should be open for every European country, but that does not mean that every European country should receive a membership guarantee. Membership depends on EU capacities, strategic decisions and internal developments of the Eastern and Southeastern states. The principle of openness implies that a certain country can develop its status from an outer layer into an inner one. The principle of differentiation presumes that the closer a country would like to be to the EU, the stronger it has to be monitored by European standards. There should be different kinds of monitoring, ranging from the progress reports of the candidate countries to a new monitoring of neighborhood policy. The most important principle is transforming single-layer approaches into a multi-layered model. The EU has to broaden its attractiveness from offering enlargement to becoming a pan-European actor.

¹ Iris Kempe, Wim van Meurs, and Barbara von Ow, eds. Die EU-Beitrittsstaaten und ihre östlichen Nachbarn - The EU Accession States and their Eastern Neighbours. Gütersloh: Verlag Bertelsmann Stiftung, 1999.

² Iris Kempe and Wim van Meurs, eds. Beyond EU Enlargement. 2 vols. Gütersloh: Bertelsmann Foundation Publishers, 2001. (Vol 1. Iris Kempe ed. The Agenda of Direct Neighbourhood for Eastern Europe; Vol 2. Wim van Meurs ed. The Agenda of Stabilisation of Southeastern Europe)

³ Iris Kempe and Wim van Meurs, eds. Risks and Challenges Beyond EU Enlargement. 2 vols. Cologne: Verlag Wissenschaft und Politik, 2002. (Vol 1. Iris Kempe ed. Eastern Europe: Challenges of a Pan-European Policy; Vol 2. Wim van Meurs ed. Southeastern Europe - Weak States and Strong International Support)

⁴ Based on the Balkans section in a CAP dossier *Six months after September 11. Assessing EU Foreign Policy*: Wim van Meurs, “September 11th and European Balkan Policies” (March 2002) http://www.cap.uni-muenchen.de/aktuell/positionen/2002_03_911_balkans.htm.

⁵ Partly based on a joint project on “Southeastern enlargement” by the Bertelsmann Foundation, ELIAMEP and the Center for Applied Policy Research: Wim van Meurs, Alexandros Yannis, *From Stabilisation Process to Southeastern Enlargement* (Athens/Gütersloh/Munich: Sept. 2002) http://www.cap.uni-muenchen.de/download/2002_EU_Balkans.pdf; *Integrating the Balkans. Regional Ownership and European Responsibilities*, Conference Report of the Roundtable. Berlin, July 15-16, 2002 (Gütersloh: Oct. 2002) http://www.cap.uni-muenchen.de/download/2002_Balkan_Report.pdf.